AVANT

July 13, 2021

Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian dollars)

Second Quarter – May 31, 2021

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AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Financial Position

As at May 31, 2021 and November 30, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note		May 31, 2021		November 30, 2020
Assets					
Current assets					
Cash and cash equivalents		$	**17,681**	$	625
Accounts receivable	5		**2,704**		2,067
Prepaid expenses	6		**226**		251
Biological assets	7		**2,635**		1,884
Inventory	8		**6,985**		4,973
Assets held for sale	9		**211**		541
			30,442		10,341
Property, plant and equipment	10		**16,720**		17,471
Deposits	6		**195**		195
Goodwill	11		**1,092**		1,092
Intangible assets	11		**8,102**		8,102
Investment in associate	12		**3,099**		2,666
Promissory notes receivable	14		**107**		107
Right-of-use assets	15		**648**		826
Total assets		$	**60,405**	$	40,800
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	20	$	**966**	$	2,488
Convertible notes	16		**-**		276
Current portion of long-term debt	17		**-**		1,686
Due to related parties	20		**-**		602
Lease liabilities	15		**291**		267
Lease liabilities, assets held for sale	15		**-**		596
			1,257		5,915
Convertible notes	16		**-**		1,592
Deferred income tax			**1,199**		1,199
Long-term debt	17		**-**		3,025
Lease liabilities	17		**471**		649
Total liabilities			**2,927**		12,380
Shareholders' equity					
Share capital	18		**92,512**		62,214
Subscriptions			**-**		85
Contributed surplus			**6,668**		6,526
Accumulated deficit			**(41,702)**		(40,405)
Total shareholders' equity			**57,478**		28,420
Total liabilities and shareholders' equity		$	**60,405**	$	40,800

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 24)

Subsequent events (Note 25)

Approved on behalf of the Board on July 13, 2021:

/s/ Norton Singhavon, Director and CEO   */s/ Michael Blady, Director*

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the three and six months ended May 31, 2021 and November 30, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

		Three months ended May 31		Six months ended May 31	
	Note	**2021**	2020	**2021**	**2020**
Revenue		**$ 2,904**	$ 1,507	**$ 5,133**	$ 3,862
Excise taxes		**(446)**	(261)	**(705)**	(284)
Net revenue		**2,458**	1,246	**4,428**	3,578
Cost of sales	8	**1,497**	373	**2,657**	1,739
Gross margin before fair value changes		**961**	873	**1,771**	1,839
Unrealized gain (loss) on changes in fair value of biological assets		**368**	654	**1,296**	532
Gross margin		**1,329**	1,527	**3,067**	2,371
Operating expenses					
Administration and general		**36**	223	**124**	372
Business fees and licenses		**158**	114	**331**	237
Consulting fees		**181**	-	**181**	-
Depreciation and amortization	10	**165**	199	**380**	415
Depreciation, right-of-use asset	15	**37**	136	**107**	242
Management fees		**39**	61	**104**	118
Marketing and advertising		**33**	19	**124**	130
Professional fees		**358**	354	**485**	465
Salaries and wages		**382**	501	**825**	973
Share based payments	19	**49**	110	**125**	385
Travel		**15**	7	**35**	47
		1,453	1,724	**2,821**	3,384
Net income (loss) from operations		**(124)**	(197)	**246**	(1,013)
Other income (expense)					
Canadian emergency wage subsidy	5	**383**	-	**898**	-
Financing costs		**(18)**	(87)	**(55)**	(156)
Equity loss on investment in associate	12	**(146)**	(76)	**(276)**	(164)
Gain on sale of assets and investments	13	**-**	-	**-**	261
Non-refundable deposit		**25**	-	**25**	-
Loss on extinguishment of loan	17	**(1,024)**	-	**(1,024)**	-
Interest and accretion		**(640)**	(418)	**(1,103)**	(743)
Net income (loss) from continuing operations		**(1,544)**	(778)	**(1,289)**	(1,815)
Net income (loss) from discontinued operations	9	**(132)**	-	**430**	(143)
Net income (loss) and comprehensive income (loss)		**$ (1,676)**	$ (778)	**$ (859)**	$ (1,958)
Income (loss) per common share					
Basic and fully diluted		**$** (0.01)	$ (0.01)	**$** (0.01)	$ (0.02)
Weighted average shares outstanding					
Basic and fully diluted		**146,472,122**	103,210,000	**146,472,122**	103,210,000

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended May 31, 2021 and November 30, 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Attributable to equity holders of the Company					
	Shares (000's)	**Share capital**	**Subscriptions received**	**Contributed Surplus**	**Deficit**	**Total**
Balance at November 30, 2020	**140,724 $**	**62,214 $**	**85 $**	**6,526 $**	**(40,405) $**	**28,420**
Net income (loss) for the period	-	-	-	-	(859)	(859)
Shares issued for cash	42,500	24,600	-	1,150	-	25,750
Share issuance cost	-	(2,212)	-	660	-	(1,552)
Subscriptions received	-	-	-	-	-	-
Shares issued for contingent consideration for acquisitions	795	438	-	-	(438)	-
Share-based compensation	-	-	-	125	-	125
Exercise of warrants	9,519	3,840	-	(785)	-	3,055
Exercise of stock options	2,225	1,296	(85)	(452)	-	759
Shares issued for debt financing	3,651	2,336	-	(556)	-	1,780
Balance at May 31, 2021	**199,414**	**92,512**	**-**	**6,668**	**(41,702)**	**57,478**
Balance at November 30, 2019	126,686 $	59,912 $	85 $	6,096 $	(29,685) $	36,408
Net loss for the period	-	-	-	-	(1,958)	(1,958)
Share issuance costs	-	(14)	-	-	-	(14)
Shares issued and issuable for contingent consideration	8,263	1,770	-	(300)	(1,483)	(13)
Exercise of stock options	150	45	-	-	-	45
Share based payments	2,254	106	-	294	-	400
Balance at May 31, 2020	137,353 $	61,819 $	85 $	6,090 $	(33,126) $	34,868

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended May 31, 2021 and 2020

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

		2021		2020
Cash flows from operating activities				
Net income (loss) from continuing operations	**$**	**(1,289)**	$	(1,815)
Items not affecting cash:				
Accretion expense		**251**		743
Depreciation and amortization		**668**		630
Amortization, right-of-use		**171**		242
Equity loss on investment in associate		**276**		164
Financing costs (lease)		**89**		156
Loss on extinguishment of debt		**1,024**		-
Loss on discontinued assets		**-**		144
Loss on disposal of assets		**-**		139
Gain on lease modification		**(62)**		-
Share based payments		**125**		293
Shares issued for services		**-**		107
Impairment of inventory		**213**		-
Unrealized gain on biological assets		**(1,296)**		(532)
Gain on investment		**-**		(261)
		170		10
Change in non-cash operating working capital:				
Accounts and advances receivable		**(637)**		(311)
Prepaid expenses		**25**		188
Biological assets		**332**		16
Inventory		**(2,012)**		(1,063)
Accounts payable and accrued liabilities		**(1,523)**		790
Interest payable		**-**		(297)
Net cash flows used in operating activities		**(3,645)**		(667)
Net cash flows from operating activities of discontinued operations		**430**		(143)
		(3,215)		(810)
Cash flows from investing activities				
Net cash paid for acquisitions		**-**		(13)
Deposits paid		**-**		(8)
Investments in associates		**(709)**		-
Promissory notes received, net advanced		**-**		290
Purchase of property and equipment		**(127)**		(255)
		(836)		14
Cash flows from financing activities				
Options and warrants exercised for cash		**3,814**		45
Lease liability payments		**(229)**		(314)
Proceeds from issuance of common shares		**25,750**		-
Repayment of convertible debentures		**(125)**		(500)
Repayment of long-term debt		**(5,949)**		-
Due to related parties		**(602)**		-
Share issuance cost		**(1,552)**		(14)
		21,107		(783)
Increase (decrease) in cash and cash equivalents		**17,056**		(1,579)
Cash and cash equivalents – beginning of period		**625**		1,969
Cash and cash equivalents – end of period	**$**	**17,681**	$	390

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

1 Nature and continuance of operations

Avant Brands Inc. (formerly GTEC Holdings Ltd.) (the "Company") was originally incorporated under the Canada Business Corporations Act and continued under the British Columbia Business Corporations Act effective as of July 28, 2017 as a Capital Pool Company ("CPC"). On June 12, 2018, the Company completed its Qualifying Transaction and Business Combination with GreenTec Holdings Ltd. and 1155425 BC Ltd. and changed its name from Black Birch Capital Acquisition III Corp. to GTEC Holdings Ltd.

The Company's principal business activity is pursuing opportunities in the cannabis industry. The Company is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "AVNT". The Company's head office is located at Suite 335 – 1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred losses since its inception and has an accumulated deficit of $41,701,164 as at May 31, 2021, that has been funded primarily by issuance of equity, convertible debentures and advances from related parties. There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future.

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus ("COVID-19"), a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

The production and sale of cannabis have been recognized as essential services across Canada; however, COVID-19 related challenges have persisted, including, but not limited to, reduced staffing levels, production inefficiencies resulting from increased health and safety measures, and limited supply chain issues.

Due to the ongoing developments and uncertainty surrounding COVID-19, it is not possible to predict the continuing impact that COVID-19 will have on the Company, its financial position, and/or its operating results in the future. In addition, it is possible that estimates in the Company's condensed interim consolidated financial statements will change in the near-term as a result of COVID-19, and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangible assets and goodwill. The Company is closely monitoring the impact of COVID-19 on all aspects of its business.

2 Basis of presentation

Statement of compliance and basis of measurement

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended November 30, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

These condensed interim consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell, as detailed in the Company's accounting policies.

The functional and presentation currency of the Company is the Canadian dollar.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors of the Company on July 13, 2021.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and the following Canadian subsidiaries:

Subsidiaries	Percentage of ownership
Alberta Craft Cannabis Inc. (“ACC”)	100%
GreenTec Bio-Pharmaceuticals Inc.	100%
GreenTec Retail Ventures Inc.	100%
Grey Bruce Farms Incorporated (“Grey Bruce”)	100%
Spectre Labs Inc.	100%
Tumbleweed Farms Corp. (“Tumbleweed”)	100%
Zenalytic Laboratories Ltd.	100%
1203648 B.C. Ltd. (“1203648”)	100%

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee’s returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company’s share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended November 30, 2020. For comparative purposes, the Company has reclassified certain immaterial items on the condensed interim consolidated statements of financial position and the condensed interim consolidated statements of income (loss) and comprehensive income (loss) to conform with the current period’s presentation.

3 Adoption of new accounting pronouncements

A number of new standards and amendment to standards and interpretations, are not yet effective for the six months ended May 31, 2021, and have not been applied in preparing the condensed interim consolidated financial statements. The new standards are either not applicable or are not expected to have a significant impact on the Company’s condensed interim consolidated financial statements.

4 Acquisitions

1203648 B.C. Ltd. ("1203648")

On April 10, 2019, the Company executed a share purchase agreement with the shareholders of 1203648 whereby the Company acquired 100% of the issued and outstanding common shares of 1203648 in exchange for cash consideration of $47,706 and the issuance of 3,438,333 common shares. Of the total shares issued, 1,719,167 common shares were held in escrow and were to be released upon the realization of a retail opportunity when 1203648 receives all government approvals necessary to purchase, possess, store and sell cannabis and cannabis products, enabling it to open and operate premises for the sale of cannabis and cannabis products.

The Company accounted for the purchase as an asset acquisition as 1203648 did not meet the definition of a business under IFRS 3, "Business Combinations". The fair value of the common shares not held in escrow was determined to be $1,031,500. As 1203648 was a related party due to common control, the control of the assets acquired did not change. Therefore, the Company recorded the initial assets and liabilities at their book values of $Nil and charged $1,079,206 to deficit during the year ended November 30, 2019.

In accordance with IAS 37, only obligations arising from past events that exist independently of the entity's future actions are recognized as provisions. As a result, the Company did not ascribe a value to the 1,719,167 common shares issued and held in escrow in relation to this transaction, as the release from escrow is contingent on future events, and accordingly the Company did not record any contingent consideration related to the acquisition of 1203648. During the year ended November 30, 2020, the company cancelled the 1,719,167 shares held in escrow as the release terms were not met.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

5 Accounts receivable

As of May 31, 2021 and November 30, 2020, accounts receivable consisted of:

		May 31, 2021		November 30, 2020
Trade accounts receivable	$	**2,287**	$	1,497
Government assistance receivable (a)		**413**		566
Other receivables		**4**		4
	$	**2,704**	$	2,067

a) During the six months ended May 31, 2021, the Company applied for the Canada Emergency Wage Subsidy ("CEWS"). The Company recorded other income of $898,345 (May 31, 2020: $Nil) in relation to the CEWS, with $29,309 (May 31, 2020: $Nil) included in net income (loss) from discontinued operations. As at May 31, 2021, the Company had a balance receivable of $412,554.

6 Prepaid expense and deposit

As of May 31, 2021 and November 30, 2020, prepaid expenses consisted of:

		May 31, 2021		November 30, 2020
Insurance and other	$	**226**	$	251

As of May 31, 2021 and November 30, 2020, deposits consisted of:

		May 31, 2021		November 30, 2020
Other	$	**195**	$	195

7 Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

The changes in the carrying value of biological assets for the six months ended May 31, 2021 and the year ended November 30, 2020 are as follows:

		May 31, 2021		November 30, 2020
Carrying amount, Opening	$	**1,884**	$	809
Production costs		**4,021**		6,727
Changes in fair value less costs to sell due to biological transformation		**(221)**		4,539
Transferred to inventory upon harvest		**(3,049)**		(10,191)
	$	**2,635**	$	1,884

The significant assumptions used to determine the fair value of the cannabis plants include:

- Expected yield by strain of plant;
- Wastage of plants;
- Duration of the production cycle;
- Percentage of costs incurred to date compared to the total costs expected to be incurred;
- Percentage of costs incurred for each stage of plant growth; and
- Market value less selling costs.

The Company's estimates are, by their nature, subject to change and differences from anticipated yield which will be reflected in the gain or loss on biological assets in future periods.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

On average, the growth cycle is between 14 to 17 weeks and the Company expects average yield per plant to be between 45 to 82 grams of harvested flower and 10 to 41 grams of harvested trim. As at May 31, 2021, it is estimated that the Company's biological assets will yield approximately 517,442 grams of flower and 191,186 grams of trim when harvested.

The Company has determined the average fair value less cost to sell to be $5 per gram of flower and $0.25 per gram of trim. As of May 31, 2021, a change of 10% or less in the estimated yield per plant, growth cycle and selling price of dry cannabis would not result in a significant variance in the fair value of biological assets or inventory.

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

8 Inventory

The Company's inventories are comprised of the following balances as at May 31, 2021:

	Capitalized Cost	Fair Value Adjustment	Inventory Impairment	Carrying Value
Dry cannabis	$	$	$	**$**
Available for packaging	2,476	3,732	(95)	**6,113**
Packaged inventory	311	359	-	**670**
Trim	1,624	(1,304)	(118)	**202**
	$ 4,411	$ 2,787	$ (213)	**$ 6,985**

The Company's inventories are comprised of the following balances as at November 30, 2020:

	Capitalized Cost	Fair Value Adjustment	Inventory Impairment	Carrying Value
Dry cannabis	$	$	$	**$**
Available for packaging	1,045	1,010	-	**2,055**
Packaged inventory	1,220	1,552	-	**2,772**
Trim	572	(426)	-	**146**
	$ 2,837	$ 2,136	$ -	**$ 4,973**

As at May 31, 2021, the Company had dry cannabis with a carrying value of $6,783,938 (November 30, 2020: $4,826,794) and harvested trim with a carrying value of $201,421 (November 30, 2020: $146,327).

The Company holds 2,021,733 grams of harvested cannabis (November 30, 2020: 1,439,239), which is comprised of 1,216,047 grams of harvested flower and 805,686 grams of harvested trim.

During the six months ended May 31, 2021, the Company recorded $4,020,517 (May 31, 2020: $ 2,873,000) of production costs. Included in the production costs for the six months ended May 31, 2021 is $240,648 (May 31, 2020: $ 214,863) of amortization of property and equipment and right-of-use assets.

The Company's cost of sales on the condensed interim consolidated statement of comprehensive income (loss) are reported net of fair value gain on sale of inventory of $1,636,533 for the six months ended May 31, 2021.

During the six months ended May 31, 2021, the Company recorded an impairment of $94,918 related to 32,328 grams of dry cannabis and $117,705 related to 95,428 grams of trim, which has been included within cost of sales on the condensed interim consolidated statement of comprehensive income (loss). This impairment was recorded to reduce the carrying value of this obsolete inventory to $Nil.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

9 Assets held for sale

As at May 31, 2021 and November 30, 2020, assets classified as held for sale are comprised of the following:

		May 31, 2021		November 30, 2020
Right-of-use asset (a)	**$**	**-**	$	541
Zenalytic Laboratories Ltd. (b)		**211**		-
	$	**211**	$	541

(a) Assets held for sale comprise of the Company's wholly owned subsidiary, 1203648. During the six months ended May 31, 2021, the Company sold the assets of 1203648 for gross proceeds of $500,000. The primary asset was a 4,000 square foot leased retail space, for which a right-of-use asset of $514,938 and a lease liability of $576,684 were recorded on the condensed interim consolidated statements of financial position. During the period ended May 31, 2021, a lease modification gain of $61,748 was included within net income (loss) from discontinued operations.

(b) During the six months ended May 31, 2021, the Company decided to divest the assets of Zenalytic Laboratories. Accordingly, the assets have been classified as assets held for sale.

10 Property, plant and equipment

	Land	Buildings	Construction in-process	Growing & processing equipment	Other	Total
Cost						
Balance - November 30, 2019	1,826	9,935	3,070	4,313	1,476	20,620
Additions	-	141	379	187	54	761
Disposals	(478)	(484)	-	(64)	(146)	(1,172)
Reclassification	-	(388)	(534)	922	-	-
Balance - November 30, 2020	1,348	9,204	2,915	5,358	1,384	20,209
Additions	-	-	4	119	5	128
Disposals	-	-	-	-	-	-
Reclassification to assets held for sale	-	-	-	(419)	(50)	(469)
Balance – May 31, 2021	1,348	9,204	2,919	5,058	1,339	19,868
Accumulated amortization						
Balance - November 30, 2019	-	(473)	-	(562)	(394)	(1,429)
Additions	-	(483)	-	(534)	(292)	(1,309)
Balance - November 30, 2020	-	(956)	-	(1,096)	(686)	(2,738)
Additions	-	(242)	-	(289)	(137)	(668)
Reclassification to assets held for sale	-	-	-	232	26	258
Balance – May 31, 2021	-	(1,198)	-	(1,153)	(797)	(3,148)
Net book value						
November 30, 2020	**$ 1,348**	**$ 8,248**	**$ 2,915**	**$ 4,262**	**$ 698**	**$ 17,471**
May 31, 2021	**$ 1,348**	**$ 8,006**	**$ 2,919**	**$ 3,905**	**$ 542**	**$ 16,720**

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

During the six months ended May 31, 2021, the Company allocated $240,648 (May 31, 2020: $214,863) of amortization expense to cost of inventory.

11 Intangible assets and goodwill

		Intangible asset		Goodwill
Cost				
Balance - November 30, 2019		9,900		7,678
Impairment		(1,798)		(6,586)
Balance - November 30, 2020		8,102		1,092
Impairment		-		-
Balance – May 31, 2021		**8,102**		**1,092**
Accumulated amortization				
Balance - November 30, 2019 and 2020		-		-
Additions		-		-
Balance – May 31, 2021		**-**		**-**
Net book value				
November 30, 2019	$	9,900	$	7,678
November 30, 2020		8,102		1,092
May 31, 2021	**$**	**8,102**	**$**	**1,092**

The Company's intangible asset and goodwill were acquired through the acquisition of ACC during the year ended November 30, 2018. The Company's intangible asset, a license to sell cannabis, is indefinite lived. The Company completed its annual assessment of the recoverable amount of the goodwill and intangible asset during the year ended November 30, 2020. The recoverable amount of the ACC CGU, to which indefinite lived intangible assets and goodwill are allocated, was determined based on fair value less costs of disposal ("FVLCD") model using level 3 inputs in a discounted cash flow ("DCF") analysis. Management determined that the recoverable amount of the ACC CGU was lower than the carrying value as at November 30, 2020. Accordingly, the Company allocated an impairment loss of $1,798,000 to the intangible asset and $6,586,000 to goodwill for the year ended November 30, 2020.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

12 Investment in associate

		May 31, 2021		November 30, 2020
Opening balance	**$**	**2,666**	$	1,747
Cash advanced under shareholder loan		**709**		1,345
Equity loss on investment		**(276)**		(426)
	$	**3,099**	$	2,666

During the year ended November 30, 2018, the Company acquired 49% of the issued and outstanding common shares of 3PL Ventures Inc. ("3PL"). The Company paid $49 cash and issued 1,225,490 common shares of the Company pursuant to a series of agreements related to the acquisition of the Company's interest in 3PL (together, the "Purchase Agreement") with its one other shareholder. Pursuant to the Purchase Agreement, 3PL is in the process of constructing a production facility to meet Health Canada standards for a licensed cannabis cultivation facility in accordance with the CA&R. The other shareholder of 3PL shall provide a maximum of up to $9,000,000 in funding for 3PL through shareholder loans to finance the build out and equipping of the facility being constructed.

Pursuant to the Purchase Agreement, on April 23, 2019, the Company issued an additional 1,953,125 common shares to the other shareholder. The fair value of the common shares issued was determined to be $1,250,000. In addition, the Company also has the option to purchase the remaining 51% interest from the other shareholder upon receipt of 3PL's sales license from Health Canada.

The Company committed to advance a shareholder loan of up to $1,000,000 to fund the completion of the facility. As of May 31, 2021, the Company has advanced $2,053,981 (November 30, 2020: $1,345,000) to 3PL.

The following is a summary of the aggregate financial information for 3PL:

Statement of Financial Position as at		**May 31, 2021**		November 30, 2020
Cash and cash equivalents	**$**	**11**	$	6
Other current assets		**51**		9
Property, plant and equipment		**10,795**		10,204
Right-of-use asset		**968**		1,201
Current liabilities		**271**		1,253
Non-current liabilities		**13,653**		12,690

Statement of loss and comprehensive loss for the period ended		**May 31, 2021**		May 31, 2020
General and administrative expenses	**$**	**(563)**	$	(335)
Net loss and comprehensive loss		**(563)**		(335)

The Company records its investment in 3PL on the equity basis. 3PL has lease commitments over the next five years as follows:

Year ending:		
2021	$	349
2022		662
2023		386
2024		-
2025 and thereafter		-
	$	**1,397**

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

13 Gain on sale of assets and investments

		May 31, 2021		May 31, 2020
1203648 B.C. Ltd. (a)	**$**	**500**	$	-
Sale of GreenTec Retail SK Inc. (b)		**-**		261

(a) On February 11, 2021, the Company sold the assets of 1203648 for gross proceeds of $500,000. The primary asset was a 4,000 square foot leased retail space, for which a right-of-use asset of $514,938 and a lease liability of $576,684 were recorded on the condensed interim consolidated statements of financial position. During the period ended May 31, 2021, a lease modification gain of $61,748 was included within the condensed interim consolidated statements of comprehensive income (loss) under net income from discontinued operations

(b) On November 29, 2019, the Company sold 100% of its interest in GreenTec Retail SK Inc. for total proceeds of $365,000, of which $66,700 was received in cash and $298,300, was settled through the issuance of a promissory note receivable due on March 1, 2020. The Company recorded a gain of $261,238 on the sale of GreenTec Retail SK Inc.

14 Promissory notes receivable

		May 31, 2021		November 30, 2020
Cannabis Cowboy Inc. (a)	**$**	**107**	$	107

(a) During the year ended November 30, 2019, the Company sold its interest in Cannabis Cowboy Inc. for an aggregate price of $1,010,000, of which $800,000 was settled in 585,436 common shares of Fire & Flower Holdings Corp. and the balance of $210,000 was settled by receipt of a promissory note receivable due on October 4, 2021. As at November 30, 2020, the Company recorded a provision for doubtful receivables against the promissory note receivable of $106,298 reducing the balance to $106,298.

15 Right-of-use assets and Lease liability

Right-of-use Assets

The following is the continuity of the cost and accumulated depreciation of right-of-use assets, for the period ended May 31, 2021:

		2021
Recognition upon adoption of IFRS 16	$	1,851
Reclassification to assets held for sale		(700)
Depreciation expense for the year		(325)
Balance – November 30, 2020		**826**
Lease modification – change in lease terms		(34)
Depreciation expense for the period		(144)
Balance – May 31, 2021	**$**	**648**

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

Right-of-use Assets – Assets held for sale

		2021
Reclassification to assets held for sale	$	700
Depreciation expense for the year		(159)
Balance – November 30, 2020		**541**
Depreciation expense for the period		(27)
Lease modification – sale of leased assets		(514)
Balance – May 31, 2021	**$**	**-**

Lease liability

The following is the continuity of lease liability, for the period ended May 31, 2021:

		2021
Recognition upon adoption of IFRS 16	$	1,851
Reclassification to assets held for sale		(700)
Lease payments		(418)
Interest expense on lease liability		183
Balance – November 30, 2020		**916**
Lease payments		(192)
Lease modification – change in lease terms		(34)
Interest expense on lease liability		72
Balance – May 31, 2021		**762**
Current portion		**291**
Long-term portion	**$**	**471**

The Company recognized right-of-use assets and a corresponding lease liability upon the adoption of IFRS 16 related to its facility premises and corporate office. Amortization on the right-of-use asset is calculated over the term of the lease. Interest expense of $71,878 (May 31, 2020: $156,106) is included in financing costs and payments are applied against the lease liability.

Lease liability – Assets held for sale

		2021
Reclassification to assets held for sale	$	700
Lease payments		(218)
Interest expense on lease liability		114
Balance – November 30, 2020		**596**
Lease payments		(35)
Interest expense on lease liability		15
Lease modification – sale of leased assets		(514)
Lease modification – gain on lease modification		(62)
Balance – May 31, 2021	**$**	**-**

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

As at May 31, 2021, the minimum lease payments for the lease liabilities are as follows:

Year ending:		
2021	$	199
2022		403
2023		286
2024		39
		927
Less: Interest expense on lease liabilities		(165)
Total present value of minimum lease payments	**$**	**762**

16 Convertible note

The Company's convertible debentures outstanding balance consists of:

		May 31, 2021		November 30, 2020
Principal amount	**$**	**1,990**	$	7,500
Liability amount, beginning of period		**1,868**		7,168
Principal and interest payments		**(169)**		(6,050)
Conversion of debt to common shares		**(1,780)**		-
Transaction costs and other		**-**		(231)
Interest and accretion expense		**81**		981
Carrying value, end of period		**-**		1,868
Equity portion, beginning of period		**555**		709
Reallocation of equity portion upon maturity or settlement		**(555)**		(436)
Loss on modification recorded in contributed surplus		**-**		282
Deferred income tax liability		**-**		-
Equity portion, end of period		**-**		555
Effective interest rate		**-**		-
Short-term portion		**-**		276
Long-term portion	**$**	**-**	$	1,592

a) On October 17, 2018, the Company issued convertible debentures to Invictus MD Strategies Corp. ("Invictus") for gross proceeds of $2,000,000 under the following terms: (i) a maturity date of October 17, 2020; (ii) an interest rate of 8% per annum, payable monthly; and (iii) convertible at $1.50 per share, subject to adjustment in certain events, at the option of the holder.

On December 3, 2018, the Company issued additional convertible debentures to Invictus for gross proceeds of $500,000 under the following terms: (i) a maturity date of October 17, 2020; (ii) an interest rate of 8% per annum, payable monthly; and (iii) convertible at $1.50 per share, subject to adjustment in certain events, at the option of the holder.

On October 30, 2020, the Company amended the terms of its unsecured convertible debentures with Invictus, which were to mature on October 17, 2020 (the "Amended Agreement"). Under the Amended Agreement, the principal terms of the convertible debentures were amended as follows: (i) principal repayment of $510,000 due on October 30, 2020; (ii) annual interest rate to increase from 8% to 10% on the remaining principal balance of $1,990,000; (iii) maturity date extended to February 28, 2022, with certain months being interest-only payments and others being principal plus interest, such that the balance will have been fully repaid upon the maturity date; and (iv) price of conversion from $1.50 to (a) $0.35 per share on the first $250,000 of the outstanding principal balance and (b) $0.55 per share on the remaining principal balance outstanding at the time of conversion. The convertible debenture remained unsecured and pursuant to the Amended Agreement, the Company paid $65,000 in transaction costs. The Company recorded a gain on debt modification of $164,911 which was offset by a loss on debt modification of $282,468 resulting from additional shares issuable upon conversion which was recorded to the consolidated statement of comprehensive loss and allocated to contributed surplus.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

During the six months ended May 31, 2021, Invictus converted $1,990,000 of the outstanding principal balance at a conversion price of $0.35 for the first $250,000 and $0.55 for the remainder balance. The Company issued 3,650,646 common shares.

b) On June 11, 2018, the Company issued 5,000 convertible debenture units at a price of $1,000 per unit for gross proceeds of $5,000,000 under the following terms: (i) a maturity date of June 10, 2020; (ii) an interest rate of 8% per annum, payable semi-annually; and (iii) convertible at $1.50 per share, subject to adjustment in certain events, at the option of the holder. Each unit consists of $1,000 principal amount of convertible debentures and 222 warrants to purchase common shares of the Company at a price of $2.50 for a period of two years from the closing of the offering. In connection with the transaction, the Company incurred issuance costs of $296,248 and issued 166,666 broker warrants exercisable for one common share of the Company at a price of $1.50 for a period of two years from the earlier of: (a) the completion of the Qualifying Transaction and (b) the date that the shares become listed for trading on a recognized stock exchange. The fair value of the broker warrants was $57,300, using the Black-Scholes option-pricing model.

During the year ended November 30, 2020, the Company fully repaid its $5,000,000 convertible debenture to MMCAP Canadian Fund LP. On December 11, 2019 and on March 6, 2020, the Company made early payments towards the principal balance in the amounts of $800,000 and $500,000. On June 8, 2020, the remaining principal balance and interest in the amount of $3,838,736 was paid through the transfer of funds from a non-brokered senior secured debt financing of $3,950,000 with NFS Leasing Canada Ltd. Refer to Note 18 for further details.

Accounting treatment

For accounting purposes, the above noted convertible debentures were separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 18.50% for debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the convertible debentures and the fair value of the liability component. After initial recognition, the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debentures at effective rates noted above. The Company also recorded a deferred income tax liability that was recognized in equity relating to the difference between the Company's accounting and tax basis.

During the six months ended May 31, 2021, the Company incurred interest and accretion expense of $80,558 (May 31, 2020: $300,821) on the convertible debentures, which has been recorded within interest and accretion on the condensed interim consolidated statement of comprehensive income (loss).

17 Long term debt

	Maturity date			
	July 1, 2023 (a)	**November 1, 2023 (b)**	**Total May 31, 2021**	Total November 30, 2020
Principal	**3,950**	**2,300**	**6,250**	6,250
Transaction costs	**(610)**	**(864)**	**(1,474)**	(1,474)
Principal and interest payments	**(850)**	**(153)**	**(1,003)**	(577)
Interest and accretion expense	**822**	**331**	**1,153**	512
Total before loan repayment	**3,312**	**1,614**	**4,926**	4,711
Loss on extinguishment of loan	**336**	**688**	**1,024**	-
Interest (break-up fee)	**164**	**215**	**379**	-
Legal fees	**3**	**3**	**6**	-
Repayment of loan	**(3,815)**	**(2,520)**	**(6,335)**	-
Total	**-**	**-**	**-**	4,711
Short-term portion	**-**	**-**	**-**	1,686
Long-term portion	**-**	**-**	**-**	3,025

a) On June 8, 2020, the Company closed a non-brokered senior secured debt financing of $3,950,000 with NFS Leasing Canada Ltd (the "Loan"). Proceeds from the financing were used to repay MMCAP Canadian Fund LP, the existing senior secured convertible debenture. The Loan bears an annual interest rate of 18%. In connection with the Loan, the Company issued 2,135,135 common shares, which are subject to a three-year release schedule, with 355,856 shares being released each six-month period. No other broker fees or broker warrants were issued in connection with the Loan.

On October 16, 2020, the Company made an early principal repayment of $301,698, reducing the principal balance to $3,648,302.

On April 9, 2021 the Company made an early principal repayment of $3,648,302, reducing the principal balance to $Nil. In connection with the repayment of the full outstanding principal balance, the Company paid $164,173, as part of the terms of the agreement, upon an early repayment.

b) On October 30, 2020, the Company closed a non-brokered senior secured debt financing with NFS Leasing Canada Ltd. in the amount of $2,300,000 (the "Loan"). The Loan bears an annual interest rate of 16%. In connection with the Loan, the Company issued 2,421,052 common shares of which will be subject to a three-year release schedule, with 403,508 shares being released each six-month period. In addition, the Company issued 6,900,000 common share purchase warrants with a value of $409,000. The warrants have an expiration date of three years from the date of issuance. The exercise price of the warrants is as follows: (i) 2,300,000 warrants at an exercise price of $0.10; (ii) 2,300,000 warrants at an exercise price of $0.15; and (iii) 2,300,000 warrants at an exercise price of $0.25. No other broker fees or brokers warrants were issued in connection with the Loan.

On April 9, 2021 the Company made an early principal repayment of $2,300,000, reducing the principal balance to $Nil. In connection with the repayment of the full outstanding principal balance, the Company paid $214,666, as part of the terms of the agreement, upon an early repayment.

During the six months ended May 31, 2021, the Company incurred interest and accretion expense of $641,162 (May 31, 2020: $Nil) on the Loans, which has been recorded within interest and accretion on the condensed interim consolidated statements of comprehensive income (loss).

During the six months ended May 31, 2021, the Company recorded a loss on extinguishment of the loan in the amount of $1,023,435 (May 31, 2020: $Nil) to recognize the accelerated accretion of previously capitalized loan transaction costs.

18 Share capital

The Company has an unlimited number of voting and non-voting common shares without par value authorized for issuance. The Company also has an unlimited number of non-voting redeemable preference shares with varying par values authorized for issuance.

(a) Issued shares

During the six months ended May 31, 2021:

- The Company issued 13,750,000 units (each a "Unit") at a price of $0.20 per Unit for gross proceeds of $2,750,000. Each Unit issued consists of one common share and one half of one share purchase warrant entitling the holder to purchase one additional common share of the Company at $0.30 for a period of three years from the closing.
- The Company issued 28,750,000 units (each a "Unit") at a price of $0.80 per Unit for gross proceeds of $23,000,000. Each Unit issued consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share of the Company at $1.04 for a period of three years from the closing. Of the total proceeds, $1,150,00 has been allocated to contributed surplus to reflect the fair value of share purchase warrants issued.
- The Company issued 795,454 common shares with a fair value of $437,500 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones. See Note 24 for further details.
- The Company issued 9,519,591 common shares pursuant to the exercise of warrants for gross proceeds of $3,055,241.
- The Company issued 2,225,500 common shares pursuant to the exercise of stock options for gross proceeds of $844,320.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

- The Company issued 3,650,646 common shares pursuant to the conversion of the Invictus Convertible Note. See Note 16 for further details. The Company also reallocated $556,149 from contributed surplus in connection with the full conversion of the note.

During the six months ended May 31, 2020:

- The Company issued 7,500,000 common shares with a fair value of $1,012,500 pursuant to an amending agreement with the vendors of Tumbleweed amending certain terms and conditions of the definitive share purchase agreement dated August 12, 2017.
- The Company issued 1,900,000 common shares with a fair value of $294,500 pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, of which 1,628,571 common shares are held in escrow and will be released contingent upon the occurrence of future events. As at May 31, 2021, 1,085,713 common shares remained in escrow.
- The Company issued 150,000 common shares pursuant to the exercise of stock options for gross proceeds of $45,000.
- The Company issued 763,636 common shares valued at $420,000 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones. The Company also reallocated $1,080,000 from contributed surplus to equity representing the amending agreement.
- The Company issued 354,545 common shares valued at $49,635 in connection with an agreement for services provided.

(b) Escrow shares

As at May 31, 2021 there were 10,569,972 common shares held in escrow. The following is a summary of escrow shares to be released:

Escrow release date	Escrow shares released (000's)	Balance (000's)
June 8, 2021	356	10,213
June 18, 2021	6,176	4,037
October 31, 2021	404	3,633
December 8, 2021	356	3,277
April 30, 2022	404	2,873
June 8, 2022	356	2,517
October 30, 2022	404	2,113
December 8, 2022	356	1,757
April 30, 2023	404	1,353

Of the common shares held in escrow summarized in the table above, as at May 31, 2021 there were:

i. 1,357,142 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events.

ii. 1,423,423 common shares held in escrow pursuant to the debt financing described in Note 17, which are subject to a three-year release schedule, with 355,856 shares being released each six-month period.

iii. 1,614,036 common shares held in escrow pursuant to the debt financing described in Note 17, which are subject to a three-year release schedule, with 403,508 shares being released each six-month period.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

(c) Share purchase warrants

Warrant transactions are summarized as follows:

		Weighted average
Balance – November 30, 2019	**38,552**	**$ 1.24**
Granted	**6,900**	**0.17**
Expired	**(16,153)**	**1.54**
Balance – November 30, 2020	**29,299**	**0.83**
Granted	**35,625**	**0.45**
Exercised	**(9,519)**	**0.59**
Expired	**(19,780)**	**1.20**
Balance – May 31, 2021	**35,625**	**$ 0.45**

The weighted average outstanding life of warrants outstanding as at May 31, 2021 is 1.41 years.

At May 31, 2021 the following share purchase warrants were outstanding:

Number of share purchase	Exercise price per share	Expiry date
6,875	$ 0.30	March 8, 2024
28,750	$ 1.04	March 30, 2024
35,625	**$ 0.45**	

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

19 Stock-based compensation

The Company provides stock-based compensation to its directors, officers, employees, and consultants through grants of stock options.

(a) Stock options

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants. Under the Plan, the Company may grant options that shall not exceed 10% of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time an option is granted. Options granted can have a term of up to ten years and an exercise price typically not less than the Company's closing stock price on the TSXV on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

	Number of shares (000's)	Weighted average exercise price
Balance – November 30, 2019	**12,048**	$ **0.55**
Granted	**710**	**0.29**
Expired/cancelled	**(2,898)**	**0.37**
Exercised	**(300)**	**0.50**
Balance – November 30, 2020	**9,560**	**0.56**
Granted	**2,434**	**0.56**
Expired/cancelled	**(3,317)**	**0.63**
Exercised	**(2,225)**	**0.34**
Balance – May 31, 2021	**6,452**	**$ 0.60**

The weighted average outstanding life of stock options outstanding as at May 31, 2021 is 2.06 years.

At May 31, 2021, the following stock options were outstanding:

Number of shares (000`s)	Vested (000`s)	Exercise price per share	Expiry date
1,560	1,560	$0.30 – $1.07	Jan-Dec 2021
850	850	$0.14 – $0.70	Jan-Dec 2022
300	200	$0.30 – $0.78	Jan-Dec 2023
3,682	2,781	$0.30 – $0.80	Jan-Dec 2024
60	30	$0.30	Jan-Dec 2025
6,452	**5,421**		

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

(b) Share based payments

During the six months ended May 31, 2021, the Company recognized share based payment expense of $125,039 (May 31, 2020: $384,578) that was recorded in the condensed interim consolidated statements of comprehensive income (loss). The share based payments represent the fair value of stock options granted or vested during the period ended May 31, 2021 and are estimated on the grant date using the Black-Scholes option pricing model. The share based payments also consist of common shares issued for services during the year. In addition, stock options granted to consultants for services to be provided over a period of time are recorded as prepaid expenses until the service period has lapsed. The weighted average assumptions used in calculating the fair values of stock options granted are as follows:

	2021	2020
Share price	**$0.135 - $0.80**	$0.14 - $0.69
Exercise price	**$0.135 - $0.80**	$0.16 - $0.69
Risk-free interest rate	**0.50%**	2.16%
Expected life	**1-5 Years**	2-5 Years
Volatility	**114%**	120%
Dividend rate	**0%**	0%
Forfeiture rate	**0%**	0%

20 Related party transactions

Key management compensation

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers.

Key management compensation for the six months ended May 31, 2021 and 2020 consists of the following:

		May 31, 2021		May 31, 2020
Salaries and wages	**$**	**344**	$	353
Director fees		**30**		-
Share-based payments		**50**		-
	$	**424**	$	353

Related party balances

As at May 31, 2021, accounts payable included $Nil (November 30, 2020: $46,831) which was due to the Company's Vice President and Director, Mr. Michael Blady ("Mr. Blady") in connection with management services and advances made to the Company.

As at May 31, 2021, accounts payable included $90,000 (November 30, 2020: $60,000) which was due to directors of the Company in connection with directors' fees.

As at May 31, 2021, $Nil (November 30, 2020: $213,646) was due to the Company's Vice President and Director, Mr. Blady, for advances made to the Company during the year.

As at May 31, 2021, $Nil (November 30, 2020: $387,942) was due to the Company's Chief Executive Officer, Mr. Norton Singhavon ("Mr. Singhavon") for advances made to the Company during the year. The amount is unsecured, non-interest bearing and due on demand.

Related party transactions

During the period ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce Farms Incorporated ("Grey Bruce"), 1118157 B.C. Ltd. ("1118 BC"), Zenalytic Laboratories Ltd. ("Zenalytic") and GreenTec Bio-Pharmaceuticals Inc. ("Bio-Pharma"). Each one of these entities was under common control with Mr. Singhavon and/or Mr. Blady. Certain milestones within these agreements remain outstanding and are disclosed under Note 24.

21 Financial instruments

a) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, promissory notes receivable, deposits, due from associate, accounts payable, convertible notes, long-term debt, due to related parties and lease liabilities. The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. At present, the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.

As at May 31, 2021, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

ii) Currency risk

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

iv) Maturity risk

1. The Company's cash and cash equivalents balance at May 31, 2021 was in the amount of $17,681,128. At May 31, 2021, the Company had accounts receivable of $2,704,055, accounts payable and accrued liabilities of $966,741, current lease liabilities of $291,489 and long term lease liabilities of $471,656. All accounts payable and accrued liabilities are current.
2. As at May 31, 2021, the Company did not have derivative financial liabilities with contractual maturities.
3. Management of liquidity risk: Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

The following table summarizes the maturities of the Company's financial liabilities as at May 31, 2021 based on the undiscounted contractual cash flows:

		Carrying value	Principal amount	Less than 1 year	1 - 5 years
Accounts payable	$	966	966	966	-
Due to related parties		-	-	-	-
Lease liabilities		762	926	198	728
Long term debt		-	-	-	-
	$	**1,728**	**1,892**	**1,164**	**728**

b) **Interest rate risk**

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

Sensitivity analysis has not been presented as the Company currently has no significant exposure in its operations to interest rate or currency exchange rate fluctuations as the Company's interest-bearing liabilities have fixed interest rate.

c) **Fair value classification of financial instruments**

Fair value measurement is based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are:

Level 1 — measurement based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2 — measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset and liability.

Level 3 — measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

At May 31, 2021, the Company had Level 1 financial instruments, consisting of cash and cash equivalents, with a fair value of $17,681,128 (November 30, 2020: $625,007).

22 Capital management

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through advances from related parties. Future financings are dependent on the willingness of the related parties to advance funds to the Company and market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations.

23 Supplemental cash flow information

		May 31, 2021		May 31, 2020
Interest paid	$	**469**	$	297

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

24 Commitments and contingencies

From time to time, the Company enters into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice. The Company has the following outstanding commitments based on achieving certain milestones.

Grey Bruce

During the year ended November 30, 2020, the Company entered into an amending agreement dated March 13, 2020, amending certain terms and conditions of the definitive share purchase agreement, dated September 15, 2017, which have been replaced by the following achievement of certain milestones.

Trigger event		
Upon Grey Bruce's first harvest having passed quality assurance and quality control tests as set out by Health Canada **(Completed)**	$	105
Upon Grey Bruce's second harvest having passed quality assurance and quality control tests as set out by Health Canada **(Completed)**		105
Upon Grey Bruce's third harvest having passed quality assurance and quality control tests as set out by Health Canada **(Completed)**		105
Upon Grey Bruce's fourth harvest having passed quality assurance and quality control tests as set out by Health Canada **(Completed)**		105
Upon Grey Bruce's fifth harvest having passed quality assurance and quality control tests as set out by Health Canada, but no earlier than June 30, 2020 **(Completed)**		105
Upon Grey Bruce obtaining either a sales license (medical) or a processing license (standard), but no earlier than December 31, 2020 **(Completed)**		438
Upon Grey Bruce having sold 1,500 kg of dry cannabis		1,000
	$	**1,963**

In addition to the above, the amending agreement raised the floor price of the common shares in the capital of the Company to be issued to the vendors of Grey Bruce Farms (excluding Mr. Singhavon).

The number of common shares issuable upon the occurrence of future events are to be based on the greater of (A) the then ten-day volume-weighted average trading price of the Company's common share and (B) the last commercial financing undertaken by the Company, currently $0.55 per common share of the Company. Mr. Singhavon has also agreed to raise the floor price of the Common Shares to be issued in connection with the Cannabis Sales Milestone to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Common Shares, and (B) $1.00. In consideration for entering into the Amending agreement the Company has agreed to pay the vendors a one-time cash payment of $25,010 of which Mr. Singhavon will receive $10.

During the year ended November 30, 2020, Grey Bruce has completed five harvests that have passed quality assurance and quality control tests as set out by Health Canada, thereby triggering the contingent consideration which became payable. The Company has issued 954,545 common shares valued at $136,500 in satisfaction with the above mentioned five harvests.

Additionally, during the six months ended May 31, 2021, the company issued 795,454 common shares in connection with the achievement of certain milestones.

Further, the Company intends to issue the Company's Chief Executive Officer and Director, Mr. Singhavon such number of common shares equivalent to a value of $1,000,000, upon the sale of 1,500 kg of dry cannabis, in lieu of the original entitlement of $1,787,500. This reduces the amount owing as Mr. Singhavon was owed approximately 65% of the remaining contingent consideration.

In connection with the achievement of certain milestones under the original agreement, the Company paid $250,000 to the vendors of Grey Bruce on May 6, 2019, and also issued 2,222,222 common shares valued $1,000,000 on July 8, 2019.

(Unaudited, Tabular Amounts Expressed in Thousands of Canadian Dollars Except Share Amounts)

GreenTec Bio-Pharmaceuticals Inc. ("GBP")

As at May 31, 2021, the Company has committed to issue common shares valued at $2,500,000 contingent on future events as follows:

Trigger event	
Completion of GBP construction of a Health Canada approved cannabis production facility in compliance with the CA&R	$ 500
GBP obtaining a license to sell cannabis under the CA&R	500
GBP having sold an aggregate of 3,000 kg of dried cannabis	750
GBP completing construction of an expansion to its production facility to increase production by at least 8,500 kg per annum and receiving an amendment to its production and sales licences	750
	$ 2,500

On March 13, 2020, the Company entered into an amending agreement with the vendors of GBP amending certain terms and conditions of the definitive share purchase agreement, dated November 15, 2017.

The vendors of GBP agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of GBP are reduced by $5,750,000. In addition to reducing the milestone payments, the vendors of GBP agreed to restructure the remaining milestones, as shown in the above table and raise the floor price of the Common Shares to be issued in connection with the new milestones to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Company's common shares, and (B) $1.00. Of the $5,750,000 reduction to the Company's payment obligations, $5,615,000 of the remaining milestone payments was waived by Mr. Singhavon.

25 Subsequent Events

i.) On July 12, 2021, the Company's common shares and warrants expiring March 30, 2024 are now trading on the Toronto Stock Exchange ("TSX") under the symbol AVNT and AVNT.WT, respectively. In conjunction with the up-listing on the TSX, the common shares and warrants have been voluntarily delisted from the TSX Venture.

ii.) On July 12, 2021, the Company filed a preliminary base shelf prospectus for up to an aggregate offering of $50,000,000 ("Prospectus"). Subject to regulatory approval, once the Prospectus is finalized and effective, it may remain active for a period of up to 25 months.