Condensed Interim Financial Statements

Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation)

For the Three Months Ended January 31, 2021
(Stated in Canadian Dollars)

Unaudited

NOTICE TO READER

The accompanying unaudited condensed interim financial statements have been prepared by the Corporation's management and the Corporation's independent auditors have not performed a review of these condensed interim financial statements.

Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation)

Condensed Interim Statements of Financial Position
Unaudited - See Notice to Reader
Stated in Canadian dollars

	January 31, 2021	October 31, 2020 (Audited)
Assets		
Cash and cash equivalents	$ 1,387,188	$ 179,685
Interest receivable	314,161	283,252
Investments (notes 3, 10 (l))	40,972,268	30,528,063
Income tax receivable	61,194	61,194
Prepaid expenses	38,446	65,371
Due from related company (note 10 (j))	100,055	-
Total assets	$ 42,873,312	$ 31,117,565
Liabilities		
Accounts payable and accrued liabilities (notes 10 (a), (d), (e), (g), (i))	$ 280,582	$ 376,673
Shareholders' equity		
Share capital (note 6)	33,753,433	33,753,433
Contributed surplus (note 7)	10,806,661	10,806,661
Retained deficit	(1,967,364)	(13,819,202)
Total shareholders' equity	42,592,730	30,740,892
Total liabilities and shareholders' equity	$ 42,873,312	$ 31,117,565

Commitments (note 4)
Subsequent events (note 12)

The accompanying notes form an integral part of these condensed interim financial statements.

Approved on behalf of the Board

"Paul Crath", Director "Michael Johnston", Director

Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation)

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
Unaudited - See Notice to Reader
Stated in Canadian dollars

	Three months ended January 31, 2021	Three months ended January 31, 2020
Income		
Net realized gain (loss) on disposal of investments	$ 6,487,706	$ (2,545,145)
Net change in unrealized appreciation (depreciation) on investments (note 3)	6,127,540	(355,519)
Interest and other income	131,113	164,857
Total income (loss)	12,746,359	(2,735,807)
Expenses		
Operating, general, and administrative (notes 9, 10)	866,488	346,034
Write-down of interest receivable	28,033	-
Total expenses	894,521	346,034
Net income (loss) before tax	11,851,838	(3,081,841)
Income tax recovery - current	-	(58,746)
Net income (loss) and comprehensive income (loss)	$ 11,851,838	$ (3,023,095)
Net income (loss) per common share - basic (note 8)	$ 0.47	$ (0.19)
Net income (loss) per common share - diluted (note 8)	$ 0.44	$ (0.19)
Weighted average number of common shares outstanding - basic (note 8)	25,012,600	16,079,184
Weighted average number of common shares outstanding - diluted (note 8)	27,162,600	16,079,184

The accompanying notes form an integral part of these condensed interim financial statements.

Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation)

Condensed Interim Statements of Changes in Shareholders' Equity
Unaudited - See Notice to Reader
Stated in Canadian dollars

	Share capital					
	Number of shares	**Amount**	**Warrants**	**Contributed surplus**	**Retained earnings**	**Total shareholders' equity**
Balance - November 1, 2019	16,079,184	$ 28,185,433	$ 7,892,480	$ 2,575,976	$ 775,270	$ 39,429,159
Net loss	-	-	-	-	(3,023,095)	(3,023,095)
Reclassification on expiry of warrants	-	-	(7,892,480)	7,892,480	-	-
Balance - January 31, 2020	16,079,184	$ 28,185,433	$ -	$ 10,468,456	$ (2,247,825)	$ 36,406,064

	Share capital					
	Number of shares	**Amount**	**Warrants**	**Contributed surplus**	**Retained deficit**	**Total shareholders' equity**
Balance - November 1, 2020	25,012,600	$ 33,753,433	$ -	$ 10,806,661	$ (13,819,202)	$ 30,740,892
Net income	-	-	-	-	11,851,838	11,851,838
Balance - January 31, 2021	25,012,600	$ 33,753,433	$ -	$ 10,806,661	$ (1,967,364)	$ 42,592,730

The accompanying notes form an integral part of these condensed interim financial statements.

Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation)

Condensed Interim Statements of Cash Flows
Unaudited - See Notice to Reader
Stated in Canadian dollars

	Three months ended January 31, 2021	Three months ended January 31, 2020
Cash flows from operating activities		
Net income (loss)	$ 11,851,838	$ (3,023,095)
Items not involving cash:		
Net change in unrealized appreciation on investments	(6,127,540)	355,519
Net realized loss (gain) on disposal of investments	(6,487,706)	2,545,145
Write-down of interest receivable	28,033	-
	(735,375)	(122,431)
Adjustments for:		
Interest receivable	(58,942)	(6,354)
Purchase of investments	(6,744,397)	(1,782,851)
Proceeds from disposal of investments	8,915,438	2,078,840
Prepaid expenses	26,925	2,430
Due from related company	(100,055)	-
Accounts payable and accrued liabilities	(96,091)	50,309
Income tax payable/receivable	-	(58,746)
Net increase in cash and cash equivalents	1,207,503	161,197
Cash and cash equivalents - beginning of period	179,685	258,842
Cash and cash equivalents - end of period	$ 1,387,188	$ 420,039

The accompanying notes form an integral part of these condensed interim financial statements.

1. Nature of operations and formation of the Corporation

Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation) (the "Corporation") is an investment corporation incorporated under the laws of Canada on October 29, 2017. The common shares of the Corporation are listed on the Canadian Securities Exchange under the symbol "PBIC".

The Corporation's investment objectives are to provide shareholders with long-term total returns through capital appreciation by investing in an actively managed portfolio of securities (the "Portfolio") comprised of: (i) public companies for which the Corporation does not receive rights to elect one or more directors or otherwise becomes actively involved in (the "Passive Public Portfolio"); (ii) public companies for which the Corporation receives rights to elect one or more directors or otherwise becomes involved in (the "Active Public Portfolio" and together with the Passive Public Portfolio, the "Public Portfolio"); and (iii) private companies operating in, or that derive a significant portion of their revenue or earnings from products, services and technologies related to the cannabis plant family, its various compounds and other combinatory ingredients and products (the "Private Portfolio").

CGOC Management Corp. (the "Manager") will act as the manager and promoter of the Corporation and will provide specific management services to the Corporation pursuant to a management agreement. The Corporation will make investment decisions with respect to the Active Public Portfolio and the Private Portfolio. The Corporation and the Manager have engaged StoneCastle Investment Management Inc. (the "Investment Manager") to act as the Corporation's investment manager with respect to the Passive Public Portfolio.

The Corporation's head office is located at 240 Richmond St. W, Suite 4164, Toronto, Ontario, M5V 1V6.

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19". This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods, and social distancing have caused material disruption to businesses resulting in a global economic disruption. At the same time, global equity markets have experienced historic volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize domestic economic conditions. The duration and eventual impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

The Corporation's ability to operate has not been directly impacted by the COVID-19 pandemic or the closure of non-essential businesses, but many of the Corporation's investee companies could be negatively impacted by the COVID-19 pandemic.

The volatility in the equity markets may have a material impact on the Corporation's earnings and the fair value of the Corporation's public and private investment portfolio and will also impact the Corporation's investee companies' earnings and ability to raise capital for their ongoing operations.

2. Basis of presentation and summary of significant accounting policies

a) Statement of compliance

The Corporation's unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Corporation for the year ended October 31, 2020, which have been prepared in accordance with IFRS. Accordingly, these condensed interim financial statements do not include all of the information and disclosures required under IFRS for the annual financial statements.

These condensed interim financial statements were approved by the Board of Directors on April 1, 2021.

b) Basis of measurement

The Corporation's financial statements have been prepared on the historical cost convention except for certain financial instruments, which have been measured at fair value.

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

c) Investments in associates, joint ventures and subsidiaries

In accordance with IFRS 10, the Corporation uses the following criteria to evaluate and determine if it meets the definition of an "investment entity":

i) Obtains funds from one or more investors for the purpose of providing those investors with investment management services.

ii) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.

iii) Measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Corporation has evaluated the criteria above and determined that it meets the definition of an investment entity. As a result, it measures investments in associates, joint ventures and subsidiaries at fair value through profit and loss.

As at January 31, 2021, the Corporation's investment in a joint venture disclosed in note 5 has been measured at fair value through profit and loss and classified it as a Level 3 input on the fair value hierarchy in note 3.

2. Basis of presentation and summary of significant accounting policies (continued)

c) Investments in associates, joint ventures and subsidiaries (continued)

As at January 31, 2021, the Corporation has significant influence over its investments in Bhang Inc. ("Bhang") and Grown Rogue International Inc. ("Grown Rogue") as the Corporation controls more than 20% of the voting power of these investees. These investments have been measured at fair value through profit and loss and and classified as a Level 1 and Level 2 inputs on the fair value hierarchy in note 3.

d) Reclassification

Certain amounts in the prior period condensed interim statements of income (loss) and comprehensive income (loss) and condensed interim statement of cash flows for the three months ended January 31, 2020 have been reclassified to conform with current period presentation and provide more relevant and concise information. The Corporation reclassified the following items:

i) $59,824 of loss on warrants exercised has been reclassified as net realized gain (loss) on disposal of investments on the condensed interim statements of income (loss) and comprehensive income (loss) and condensed interim statement of cash flows for the three months ended January 31, 2020.

ii) $4,059 of other investment income has been reclassified as interest and other income on the condensed interim statements of income (loss) and comprehensive income (loss) for the three months ended January 31, 2020.

These reclassifications had no effect on the reported results of operations.

e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates calculated. Significant judgments are made when applying accounting policies to measure the fair value of investments.

Where the fair values of investments cannot be derived from active markets, management is required to make certain estimates and assumptions that are applied in valuation techniques to determine fair value. These include the most recently available financial statements of the investee, price for most recently completed financing, as well as closely comparable public companies and general market and economic conditions. The value which the Corporation could ultimately realize upon disposition of these investments may differ from their carrying value and such differences could be material.

2. Basis of presentation and summary of significant accounting policies (continued)

e) Use of estimates and judgments (continued)

Investments in options and warrants, which are not traded on a recognized securities exchange, do not have readily available market value. When there are sufficient and reliable observable market inputs, valuation models such as Black-Scholes valuation model, barrier option model and/or Monte Carlo simulations are used to determine fair value. The market inputs used in these models include risk-free interest rate, market price as of the reporting date, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility.

Investments in convertible debentures, which are not traded on a recognized securities exchange, and convertible promissory notes are valued using a combination of discounted cash flow model and option pricing model for the conversion feature.

Investments in loans and promissory notes without a conversion feature are generally valued using discounted cash flows. The management considers whether there are any indications of deterioration in the investee's underlying business which suggest that the debt instrument will not be fully recovered.

3. Fair value measurement

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in determining the fair value of financial assets and liabilities. The hierarchy of inputs is summarized as follows:

- Level 1 - inputs used to value financial assets and liabilities are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs used to value financial assets and liabilities are other than quoted prices included in Level 1 that are observable either directly or indirectly for the asset or liability.
- Level 3 - inputs used to value financial assets and liabilities are not based on observable market data.

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit and loss. For other financial instruments, transaction costs are capitalized on initial recognition.

Stated in Canadian Dollars

3. Fair value measurement (continued)

The following table includes the disaggregation of unrealized appreciation (depreciation) on investments recorded on the statement of comprehensive income for the period ended January 31:

Net change in unrealized appreciation (depreciation) on investments	January 31, 2021	January 31, 2020
Reversal of previously recorded unrealized depreciation on investments	$ 12,474,258	$ 2,759,016
Unrealized depreciation on investments held at period end	(6,294,352)	(3,118,456)
Unrealized foreign exchange gain (loss) on investments	(52,366)	3,921
	$ 6,127,540	$ (355,519)

Investments consisted of the following as at January 31, 2021:

Financial assets measured at fair value	Cost	Level 1	Level 2	Level 3	Total Fair Value
Equities	$ 36,740,448	$ 28,588,894	$ 750,000	$ 3,290,982	$ 32,629,876
Warrants	4,171,427	232,913	2,783,720	2,887	3,019,520
Convertible debentures	4,440,670	517,000	1,746,861	894,600	3,158,461
Loans	1,855,323	-	1,751,530	301,763	2,053,293
Subscription Receipts	111,118	-	-	111,118	111,118
	$ 47,318,986	$ 29,338,807	$ 7,032,111	$ 4,601,350	$ 40,972,268

Investments consisted of the following as at October 31, 2020:

Financial assets measured at fair value	Cost	Level 1	Level 2	Level 3	Total Fair Value
Equities	$ 32,425,963	$ 16,472,882	$ 2,416,666	$ 3,866,032	$ 22,755,580
Warrants	4,755,560	134,529	2,475,213	5,000	2,614,742
Convertible debentures	4,821,050	474,000	2,747,097	932,260	4,153,357
Loan	1,000,000	-	1,004,384	-	1,004,384
	$ 43,002,573	$ 17,081,411	$ 8,643,360	$ 4,803,292	$ 30,528,063

Subscription receipts

Subscription receipts represent investments in private companies that are in the process of completing a public transaction. Once the public transaction is complete, the subscription receipts entitles the Corporation to receive, without payment of additional consideration, one unit of the newly formed entity. If the public transaction is not completed, the subscription receipts become void, and the total subscription price is returned to the Corporation. Due to the short-term nature of the holding period of subscription receipts, the subscription price is approximated to be the fair market value. As at January 31, 2021, the Corporation holds $111,118 (October 31, 2020 - $Nil) in subscription receipts.

Stated in Canadian Dollars

3. Fair value measurement (continued)

Changes in Level 3 investments

During the three months ended January 31, 2021, $110,470 of net change in unrealized appreciation on investments includes Level 3 investments held as at January 31, 2021.

Transfers out of Level 3 investments are due to changes in the observability of market data, such as a recent transaction, conversion of subscription receipts into underlying securities or due to a company going public.

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the three months ended January 31, 2021.

	Private equities	Convertible debentures	Warrants	Subscription Receipts	Loans	Total fair value
Balance - November 1, 2020	$ 3,866,032	$ 932,260	$ 5,000	$ -	$ -	$ 4,803,292
Purchases	-	-	-	111,118	104,415	215,533
Unrealized gain (loss)	(47,105)	(37,660)	(2,113)	-	197,348	110,470
Transfers within Level 3	(5,082)	-	-	-	-	(5,082)
Transfers out of Level 3	(522,863)	-	-	-	-	(522,863)
Balance - January 31, 2021	$ 3,290,982	$ 894,600	$ 2,887	$ 111,118	$ 301,763	$ 4,601,350

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the year ended October 31, 2020.

	Private equities	Convertible debentures	Warrants	Total fair value
Balance - November 1, 2019	$ 17,665,306	$ 4,947,272	$ 1,671,329	$ 24,283,907
Purchases	127,945	100,000	224,437	452,382
Realized losses	(23,559)	-	(34,742)	(58,301)
Unrealized loss	(14,121,219)	(1,342,250)	(1,798,957)	(17,262,426)
Transfers within Level 3	1,111,309	(1,111,309)	-	-
Transfers out of Level 3	(893,750)	(1,661,453)	(57,067)	(2,612,270)
Balance - October 31, 2020	$ 3,866,032	$ 932,260	$ 5,000	$ 4,803,292

Stated in Canadian Dollars

3. Fair value measurement (continued)

Significant unobservable inputs

The key assumptions the Corporation used in the valuation of level 3 investments include and are not limited to the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities. The following table summarizes valuation techniques and significant unobservable inputs used for the Corporation's investments classified in Level 3 of the fair value hierarchy:

	Valuation technique	Fair value at January 31, 2021	Fair value at October 31, 2020	Key inputs
Equities	Recent financing based upon per share valuation in most recent financing round	$ 2,455,271	$ 3,019,719	N/A
	Revenue multiple	835,711	846,313	Revenue multiple
Convertible debentures	Recent financing	894,600	932,260	N/A
Warrants	Option pricing model	2,887	5,000	Volatility
Subscription receipts	Subscription price	111,118	-	N/A
Loans	Discounted cash flow	77,151	-	Discount rate
	Conversion value	224,612	-	N/A
		$ 4,601,350	$ 4,803,292	

Recent financing was based on per share valuation in the most recent financing rounds from November 2019 to January 2021 to arm's length parties, and for October 31, 2020 fair values, recent financing was based on per share valuation in most recent or proposed financing rounds from November 2019 to October 2020. For these investments, recent financing represents the most reliable and readily available inputs available to estimate fair value.

Warrants valued through option pricing models used weighted average volatility of 92% (October 31, 2020 - 80% to 90%). As at January 31, 2021 and October 31, 2020, a +/- 15% absolute change in volatility will result in a change in value of the investments of approximately $Nil.

A revenue multiple range of of 0.322 to 2 (October 31, 2020 - 0.322 to 2) was used to value these equity investments. As at January 31, 2021 and October 31, 2020, a change of +0.5 or -0.5 to the revenue multiple would result in an increase or decrease in value of the investment of approximately +$926,000 or -$778,724.

3. Fair value measurement (continued)

For these Level 3 investments, the inputs used can be highly judgmental. As at January 31, 2021, 25% increase or decrease in the calculated fair value will result in a corresponding $1,200,000 (October 31, 2020 - $1,200,000) change to the total fair value of Level 3 investments.

A discount rate of 15% was used to value the loan investment. As at January 31, 2021, a +/- 5% absolute change in discount rate will result in a change in the value of the investments of approximately +$3,350 or -$3,080.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions. The overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments.

4. Commitments

On March 16, 2020, the Corporation entered into a subscription agreement and committed to advance up to the principal amount of $1,500,000 to Core One Labs Inc. through a non-brokered convertible debenture offering. The principal amount of the convertible debenture is to be advanced in three (3) equal tranches of $500,000 to be released upon completion of certain milestones. As of January 31, 2021, the Corporation had advanced $450,000 as part of the first tranche of the convertible debenture.

5. Investment in joint venture

On June 19, 2019, the Corporation entered into a joint venture agreement (the "agreement") with an investee company. Pursuant to the agreement, a new entity 2702099 Ontario Inc. ("Newco"), was incorporated to conduct research and develop a technology comprising an endogenous anti-addiction mechanism, based on a cannabinoid-like molecule for certain indications. The Corporation subscribed for 6,000,000 common shares of Newco in a series of tranches which upon completion of the final tranche represented 60% of the issued and outstanding common shares of Newco for a total aggregate investment of $1,440,890 (US $1,100,000). Under the agreement, the Board of Directors of Newco shall consist of two (2) nominees of the Corporation and two (2) nominees of the investee company.

The Corporation seeks to earn capital appreciation on this investment through either a third-party sale of its interest or a public listing. The Corporation recorded this investment at fair value through profit and loss and classified it as a Level 3 input on the fair value hierarchy in note 3.

Stated in Canadian Dollars

6. Share capital

a) Authorized:

Unlimited common shares

b) Common shares issued and outstanding are as follows:

	Number	Amount
Issued and outstanding - November 1, 2019	16,079,184	$ 28,185,433
Shares issued to acquire investments	8,661,416	5,500,000
Shares issued for settlement of accounts payable	272,000	68,000
Issued and outstanding - October 31, 2020 and January 31, 2021	25,012,600	$ 33,753,433

Shares issued to acquire investments

On June 26, 2019, the Corporation acquired an additional 11,000,000 common shares of Next Green Wave Holdings Inc. at a price of $0.25 per common share for an aggregate investment of $2,750,000. Consideration for the investment consisted of $1,500,000 paid in cash and issuance of 726,744 common shares of the Corporation at a price of $1.72 per share for an aggregate subscription of $1,250,000. The Corporation incurred $2,565 in issuance costs as a result of this transaction.

On February 10, 2020, the Corporation and Grown Rogue entered into subscription agreements to exchange $1,500,000 worth of each other's common shares whereby Grown Rogue received a total of 2,362,204 common shares of the Corporation and the Corporation received a total of 15,000,000 common shares of Grown Rogue. In addition, the Corporation and Grown Rogue entered into a voting and resale agreement whereby each party will be required to vote these shares as recommended by the other party and will be restricted from trading such shares until August 5, 2021 without the prior written consent of the other party.

On February 10, 2020, the Corporation and Bhang entered into subscription agreements to exchange $2,000,000 worth of each other's common shares whereby Bhang received a total of 3,149,606 common shares of the Corporation and the Corporation received a total of 14,285,714 common shares of Bhang. In addition, the Corporation and Bhang entered into a voting and resale agreement whereby each party will be required to vote these shares as recommended by the other party and will be restricted from trading such shares until August 5, 2021 without the prior written consent of the other party.

Stated in Canadian Dollars

6. Share capital (continued)

On March 16, 2020, the Corporation and Core One Labs Inc. ("Core One") entered into subscription agreements to exchange $2,000,000 of each other's common shares whereby Core One received a total of 3,149,606 common shares of the Corporation and the Corporation received a total of 5,333,333 Core One Shares. In addition, the Corporation and Core One entered into a voting and resale agreement whereby each party will be required to vote these shares as recommended by the other party and will be restricted from trading such shares until September 17, 2021 without the prior written consent of the other party.

Shares issued for settlement of accounts payable

On May 11, 2020, the Corporation issued 272,000 common shares at a deemed price of $0.25 per share, in settlement of $68,000 directors' fees payable related to the year ended October 31, 2019.

7. Contributed surplus

The following is a summary of changes in contributed surplus:

	Stock Options	Agent Compensation Options	Warrants	Total
Balance - November 1, 2019	$ 1,792,100	$ 783,876	$ -	$ 2,575,976
Granted	338,205	-	-	338,205
Reclassification on expiry of warrants	-	-	7,892,480	7,892,480
Balance - October 31, 2020 and January 31, 2021	$ 2,130,305	$ 783,876	$7,892,480	$10,806,661

Stock-based compensation

The Board of Directors has adopted a stock-based compensation plan for the Corporation (the “Plan”). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase common shares to directors, officers, and consultants of the Corporation.

Under the Plan, the aggregate number of common shares to be issued upon the exercise of options granted thereunder may not exceed 10% of the number of issued and outstanding common shares at the time of granting the options. Options shall expire no later than five years after the date of grant.

The exercise price of options granted pursuant to the Plan shall be established based on the average closing price of the common shares for the five days prior to the date of grant or such other method of pricing as may be acceptable to the stock exchange on which the common shares are listed. The options shall vest and may be exercised as determined by a resolution of the Board of Directors.

Stated in Canadian Dollars

7. Contributed surplus (continued)

A summary of changes to stock options is as follows:

	Number	Weighted Average Exercise Price	
Balance - November 1, 2019	1,500,000	$	2.35
Granted - May 11, 2020	1,300,000		0.25
Forfeited	(475,000)		2.35
Cancelled	(850,000)		2.35
Granted - August 17, 2020	850,000		0.335
Balance - October 31, 2020 and January 31, 2021	2,325,000	$	0.44

During the year ended October 31, 2020, 475,000 stock options were forfeited as a result of former directors' and officer's resignations.

On May 11, 2020, the Corporation granted and issued an aggregate of 1,300,000 stock options to the Corporation's officers, directors and consultants. The stock options were granted in accordance with the Corporation's stock option plan and are exercisable for a period of four (4) years from the date of issuance at an exercise price of $0.25 per share. The stock options vested immediately upon issuance.

The fair value of the options was estimated to be $191,972 at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.26%
Expected life	4 years
Expected volatility	85%
Share price	$0.245

Stated in Canadian Dollars

7. Contributed surplus (continued)

Effective May 26, 2020 the Corporation cancelled 850,000 previously issued stock options to the Corporation's officers, directors and consultants with a January 30, 2023 maturity date and $2.35 exercise price. On August 17, 2020, the Corporation granted and issued an aggregate of 850,000 replacement stock options to the same officers, directors and consultants. The stock options were granted in accordance with the Corporation's stock option plan and are exercisable for a period of four (4) years from the date of issuance at an exercise price of $0.335 per share. The stock options vested immediately upon issuance.

The fair value of the replacement options was estimated to be $182,028 at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.29%
Expected life	4 years
Expected volatility	91%
Share price	$0.335

The Corporation recorded stock-based compensation expense of $146,233 for the replacement options which was determined as the $182,028 fair value of the newly issued stock options less the $35,795 fair value of the cancelled options on the effective date of the cancellation.

As at January 31, 2021, the following stock options were outstanding.

Outstanding	Exercisable	Year of grant	Exercise price	Expiry date
175,000	175,000	2018	$ 2.35	January 30, 2023
1,300,000	1,300,000	2020	$ 0.25	May 10, 2024
850,000	850,000	2020	$ 0.335	August 16, 2024
2,325,000	2,325,000			

Stated in Canadian Dollars

8. Net income (loss) per share

During the three months ended January 31, 2021, basic net income (loss) per share has been calculated using the weighted average number of shares outstanding of 25,012,600 (2020 - 16,079,184). As at January 31, 2021, weighted average diluted number of common shares outstanding totals 27,162,600 and includes 2,150,000 of unexercised dilutive stock options.

	Three months ended	
	January 31, 2021	January 31, 2020
Basic net income (loss) per share		
Net income (loss)	$ 11,851,838	$ (3,023,095)
Weighted average basic number of common shares outstanding	25,012,600	16,079,184
Basic net income (loss) per share	$ 0.47	$ (0.19)
Diluted net income (loss) per share		
Weighted average basic number of common shares outstanding	25,012,600	16,079,184
Effect of dilutive stock options	2,150,000	-
Weighted average diluted number of common shares outstanding	27,162,600	16,079,184
Diluted net income (loss) per share	$ 0.44	$ (0.19)

9. Expenses by nature

Operating, general and administrative expenses includes the following:

	Three months ended	
	January 31, 2021	January 31, 2020
Directors' fees (note 10 (e))	5,000	18,750
Foreign exchange loss (gain)	11,943	(23)
Investment transaction costs	33,687	15,610
Listing and filing fees	5,267	10,293
Management fees (note 10 (a))	29,237	36,041
Marketing (note 10 (k))	79,776	78,006
Office and general	32,097	25,966
Professional fees (note 10 (d), (f), (g), (h))	367,981	161,391
Severance payments (note 10 (k))	281,500	-
Salaries (note 10 (i))	20,000	-
	$ 866,488	$ 346,034

10. Related party transactions and balances

During the three months ended January 31, 2021, the Corporation reported the following related party transactions:

a) Management fees

The Corporation is required to pay the Manager an annual management fee (the “Management Fee”) fee of 1.0% of the market capitalization of the Corporation based on the daily volume-weighted average price of the common shares calculated. The Management Fee is accrued daily and paid by the Corporation to the Manager monthly in arrears. The Manager will pay the Investment Manager and the officers and directors of the Corporation provided by the Manager (other than the independent directors) out of the Management Fee.

During the three months ended January 31, 2021, the Corporation incurred management fees of $29,237 (2020 - $36,041). As at January 31, 2021, accounts payable and accrued liabilities included $10,515 (October 31, 2020 - $8,401) of management fees payable to the Manager.

b) Performance fee

As soon as practicable following the final Business Day of each calendar quarter (each such date, a “Performance Fee Payment Date” and each such period, a “Performance Fee Period”), the Corporation is required to pay the Manager a quarterly performance fee (the “Performance Fee”) in respect of the outstanding Common Shares equal to 20% of the amount by which the sum of (i) the “weighted average market price” of the Common Shares on the Canadian Securities Exchange (the "CSE) (or such other principal market on which the Common Shares are quoted for trading) during the 15 trading days preceding the end of the Performance Fee Period, plus (ii) distributions on such Common Shares during such period, exceeds 101.25% of the Threshold Amount (the “Hurdle Rate”).

The Threshold Amount will be the greater of (i) $2.60; and (ii) the weighted average market price of the Common Shares on the Performance Fee Payment Date in the last quarter for which a Performance Fee was paid.

For the period from the Closing Date to the end of the quarter, which includes the Closing Date, the Hurdle Rate will be reduced proportionately to reflect the number of days remaining in the quarter from the Closing Date to the end of that quarter. In the event that new Common Shares are issued, the Hurdle Rate application to the Performance Fee payable with respect to those Common Shares will be reduced proportionately to reflect the number of days remaining in that quarter and the Threshold Amount in respect of such Common Shares for that quarter will be the greater of (i) the issue price of the Common Shares; and (ii) the then current Threshold Amount.

During the three months ended January 31, 2021 and 2020, the Hurdle rate was not reached; therefore, the Corporation did not incur performance fees.

10. Related party transactions and balances (continued)

c) Operating expenses

The Corporation will reimburse the Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Manager in connection with the performance of the services described in the Management Agreement, as well as certain specified expenses ancillary to the operations of the Manager, including travel on behalf of the Corporation and office space and services. During the three months ended January 31, 2021, the Corporation reimbursed the Manager operating expenses of $Nil (2020 - $Nil).

d) During the three months ended January 31, 2021, the Corporation incurred accounting and regulatory compliance fees of $64,636 (2020 - $55,370) from an accounting firm in which the Corporation's CFO is a Partner. As at January 31, 2021, accounts payable and accrued liabilities included $44,296 (October 31, 2020 - $57,065) of fees payable to the accounting firm.

e) During the three months ended January 31, 2021, the Corporation incurred directors' fees of $5,000 (2020 - $18,750) for the independent directors on the Corporation's Board of Directors. As at January 31, 2021, accounts payable and accrued liabilities included $5,000 (October 31, 2020 - $62,500) of directors' fees.

f) During the three months ended January 31, 2021, the Corporation incurred consulting fees of $42,375 (2020 - $Nil) from a company controlled by one of its independent directors. As at January 31, 2021, accounts payable and accrued liabilities included $Nil (October 31, 2020 - $Nil) of consulting fees payable to the director's company.

g) During the three months ended January 31, 2021, the Corporation incurred consulting fees of $18,833 (2020 - $Nil) for management services from a company controlled by its former COO. As at January 31, 2021, accounts payable and accrued liabilities included $Nil (October 31, 2020 - $18,833) of consulting fees payable to the former COO's company.

h) During the three months ended January 31, 2021, the Corporation incurred consulting fees of $28,250 (2020 - $Nil) from a company controlled by the Chief Strategy Officer and director. As at January 31, 2021, accounts payable and accrued liabilities included $Nil (October 31, 2020 - $Nil) of consulting fees payable to the director's company.

i) During the three months ended January 31, 2021, the Corporation incurred salaries expense of $20,000 (2020 - $Nil) for the Chief Strategy Officer. As at January 31, 2021, accounts payable and accrued liabilities included $20,000 (October 31, 2020 - $Nil) of salaries payable to the Chief Strategy Officer.

10. Related party transactions and balances (continued)

j) During the three months ended January 31, 2021, the Corporation advanced $100,000 to a company controlled by a director and officer. The amounts due from the related company bear interest at a rate of 10% per annum and are due upon demand. During the three months ended January 31, 2021, the Corporation charged $55 of interest to the related company. As at January 31, 2021, the Corporation had a due from related company balance of $100,055.

k) During the three months ended January 31, 2021, the Corporation made aggregate severance payments of $281,500 and expense reimbursements of $75,000 to former directors and officers and the Corporation's current Chief Strategy Officer.

l) As at January 31, 2021, the Corporation had investments in entities whose CEO is also the Corporation's Chief Strategy Officer and a director. The value of these investments is approximately $590,000 (October 31, 2020 - $590,000).

m) An additional related party transaction is disclosed in note 5.

During the three months ended January 31, 2021 and 2020, all related party transactions were in the normal course of operations and all services provided by related parties were made on terms equivalent to those which prevail with arm's length transactions.

11. Financial risk management

The primary business activities of the Corporation result in financial statements that are primarily comprised of financial instruments. As such, the Corporation is exposed to certain risks related to financial instruments:

a) Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is exposed to credit risk on its cash. The credit risk in cash is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Corporation is exposed to credit risk from its investments in convertible debentures and promissory notes of various entities in normal course of business and the related interest receivable on the principal. The credit risk on these investments is managed by investing in credit-worthy companies and establishing monitoring processes. The credit risk on interest receivable is partially mitigated through the ability to convert into underlying equity instruments of the investee.

b) Liquidity risk

Liquidity risk refers to the risk that the Corporation will have insufficient cash resources to meet its financial obligations when they become due. The Corporation manages liquidity risk by reviewing resources to ensure that it will have sufficient liquidity to meet liabilities as they become due and to support business strategies.

The Corporation generates cash flow from the disposal of investments, financing activities, and dividend and interest income. The Corporation primarily invests in equity and debt instruments of publicly traded cannabis companies. Disposal of investments in non-publicly traded companies could differ from the carrying value since an active-market does not exist.

As at January 31, 2021, the Corporation's contractual cash flows, which were payable under financial liabilities in these financial statements consisted of accounts payable and accrued liabilities with payments due in less than one year. The Corporation has sufficient liquid assets to satisfy its liabilities.

c) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Corporation is exposed are equity price risk and interest rate risk.

11. Financial risk management (continued)

c) Market risk (continued)

i) Equity price risk

The Corporation is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market or the cannabis sub-market. The Corporation's investments are subject to fluctuations in fair value arising from changes in the equity market. As at January 31, 2021, should the equity prices of the Corporation's holdings increase or decrease by 5%, the impact on net income or loss would be approximately $1,429,445 (October 31, 2020 - $823,644).

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents and fixed income securities held. The fair value of the Corporation's cash and cash equivalents and investments affected by changes of interest rates is minimal.

d) Currency risk

Currency risk is the risk that the fair value of future cash flows from the Corporation's operations will fluctuate due to changes in foreign exchange rates. The Corporation holds investments denominated in United States dollars, ("U.S. dollar"). A change in the U.S. dollar foreign exchange rate versus the Corporation's functional and presentation currency may have an adverse effect on the Corporation's investments. As at January 31, 2021, should the U.S. dollar foreign exchange rate increase or decrease by 1%, the impact on net income or loss would be approximately $26,648 (October 31, 2020 - $20,989).

	January 31, 2021	October 31, 2020
Investments denominated in U.S dollars	$ 2,664,804	$ 2,098,887

12. Subsequent events

Subsequent to the period ended January 31, 2021, the following events occurred:

a) On February 19, 2021, the Corporation closed a non-brokered private placement and issued 5,614,900 common shares of the Corporation at a price of $0.35 per common share for aggregate gross proceeds of $1,965,215. The Corporation paid a finder's fee of $28,875 in connection with the issuance of the common shares.

b) On March 24, 2021, the Corporation issued 25,000 common shares pursuant to an option exercise at an exercise price of $0.25.