

**TAAT LIFESTYLE & WELLNESS LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2021 AND 2020**  
**(Unaudited)**  
  
**(Expressed in Canadian dollars)**

## **NOTICE OF NO AUDITOR REVIEW**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of these condensed interim consolidated financial statements by an entity's auditor.

**TAAT LIFESTYLE & WELLNESS LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars - unaudited)

As at	January 31, 2021 \$	October 31, 2020 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	19,026,183	11,934,596
Receivables (Note 5)	125,679	230,960
Prepays (Note 9)	1,097,312	549,965
Inventory (Note 8)	519,617	317,401
Loan receivable (Note 14)	255,600	-
	<b>21,024,391</b>	13,032,922
<b>Non-current assets</b>		
Property and equipment (Note 6)	519,069	492,232
Goodwill (Notes 4 and 7)	1,075,959	1,075,959
<b>Total assets</b>	<b>22,619,419</b>	14,601,113
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	1,335,373	979,011
Lease liability (Note 10)	87,418	105,862
Consideration payable (Note 4)	-	142,406
	<b>1,422,791</b>	1,227,279
<b>Non-current liability</b>		
Lease liability (Note 10)	149,921	175,062
<b>Total liabilities</b>	<b>1,572,712</b>	1,402,341
<b>Shareholders' equity</b>		
Share capital (Note 13)	70,243,393	59,289,537
Reserve (Note 13)	10,929,038	8,224,662
Accumulated other comprehensive income	10,356	(2,463)
Deficit	(60,136,080)	(54,312,964)
	<b>21,046,707</b>	13,198,772
<b>Total liabilities and shareholders' equity</b>	<b>22,619,419</b>	14,601,113

Nature of operations (Note 1)

Subsequent events (Note 18)

Approved and authorized by the Board on April 1, 2021:

“John Cumming”

Director

“Joel Dumaresq”

Director

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

**TAAT LIFESTYLE & WELLNESS LTD.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars - unaudited)

For the three-months ended	January 31, 2021 \$	January 31 2020 \$
<b>REVENUE</b>		
Sales	165,786	-
Cost of goods sold	(65,892)	-
Gross profit	99,894	-
<b>EXPENSES</b>		
Accounting and legal	109,354	7,043
Amortization (Notes 6 and 7)	47,774	-
Filing and regulatory	26,128	2,089
Foreign exchange (gain) loss	58,492	(3,642)
Accretion and interest expense (Notes 4, 10 and 12)	13,478	2,042
Management and consulting (Note 14)	912,439	431,346
Office, rent and administrative (Note 14)	196,040	32,786
Marketing and shareholder communication	1,019,124	7,941
Research and development	171,830	-
Share-based payments (Notes 13 and 14)	2,824,287	-
Share-based payments – RSU (Notes 13 and 14)	163,646	-
Travel	15,695	13,237
Salaries and wages	364,824	-
	(5,923,111)	(492,842)
<b>Loss for the period</b>	<b>(5,823,217)</b>	<b>(492,842)</b>
<b>Other item</b>		
Interest income	101	-
<b>Net loss</b>	<b>(5,823,116)</b>	<b>(492,842)</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
<b>Item that may be reclassified subsequently to profit or loss</b>		
Foreign exchange loss on translating foreign operations	12,819	-
<b>Comprehensive loss</b>	<b>(5,810,297)</b>	<b>(492,842)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.06)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>89,678,791</b>	<b>36,203,973</b>

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

**TAAT LIFESTYLE & WELLNESS LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in Canadian Dollars - unaudited)

For the three months ended	January 31, 2021 \$	January 31, 2020 \$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net loss	(5,823,116)	(492,842)
Non-cash items:		
Foreign exchange	(8,252)	-
Amortization	47,774	-
Accretion	13,478	-
Share-based compensation	2,824,287	-
Share-based compensation – RSU	163,646	-
Interest expense accrued	-	2,042
Changes in non-cash working capital items:		
Receivables	105,281	2,471
Deposits and prepaid expenses	(547,347)	92,846
Inventory	(202,216)	-
Accounts payable and accrued liabilities	356,360	110,967
<b>Net cash used in operating activities</b>	<b>(3,070,105)</b>	<b>(284,516)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Loan to a third party	(255,600)	-
Acquisition of TT Enterprises Inc.	(150,000)	-
Expenditures on property and equipment	(83,334)	-
<b>Net cash used in investing activities</b>	<b>(488,934)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of notes payable	-	(20,000)
Repayment of lease liability	(32,492)	-
Subscriptions receivable	-	56,205
Subscriptions received in advance	-	370,512
Proceeds from exercise of options	257,482	-
Proceeds from exercise of warrants	10,412,817	-
<b>Net cash provided by financing activities</b>	<b>10,637,807</b>	<b>406,717</b>
<b>Change in cash during the period</b>	<b>7,078,768</b>	<b>122,201</b>
Effect of change in foreign currency	12,819	-
<b>Cash, beginning</b>	<b>11,934,596</b>	<b>344,736</b>
<b>Cash, ending</b>	<b>19,026,183</b>	<b>466,937</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements

## TAAT LIFESTYLE & WELLNESS LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(Expressed in Canadian Dollars - unaudited)

<b>Share capital</b>								
	<b>Number</b>	<b>Amount \$</b>	<b>Subscriptions Receivable \$</b>	<b>Subscriptions Received in Advance \$</b>	<b>Reserve \$</b>	<b>Deficit \$</b>	<b>Accumulated Other Comprehensive Income \$</b>	<b>Total \$</b>
Balance, October 31, 2020	86,212,272	59,289,537	-	-	8,224,662	(54,312,964)	(2,463)	13,198,772
Net and comprehensive loss	-	-	-	-	-	(5,823,116)	12,819	(5,810,297)
Options exercised	605,834	541,039	-	-	(283,557)	-	-	257,482
Restricted share units granted	-	-	-	-	163,646	-	-	163,646
Share-based compensation	-	-	-	-	2,824,287	-	-	2,824,287
Warrants exercised	5,499,308	10,412,817	-	-	-	-	-	10,412,817
<b>Balance, January 31, 2021</b>	<b>92,317,414</b>	<b>70,243,393</b>	<b>-</b>	<b>-</b>	<b>10,929,038</b>	<b>(60,136,080)</b>	<b>10,356</b>	<b>21,046,707</b>
Balance, October 31, 2019	36,203,973	40,019,262	(56,205)	-	3,049,974	(43,136,311)	-	(123,280)
Net and comprehensive loss	-	-	-	-	-	(492,842)	-	(492,842)
Subscriptions received in advance	-	-	-	370,512	-	-	-	370,512
Subscriptions received	-	-	56,205	-	-	-	-	56,205
<b>Balance, January 31, 2020</b>	<b>36,203,973</b>	<b>40,019,262</b>	<b>-</b>	<b>370,512</b>	<b>3,049,974</b>	<b>(43,629,153)</b>	<b>-</b>	<b>(189,405)</b>

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

# TAAT LIFESTYLE & WELLNESS LTD.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

---

### 1. NATURE OF OPERATIONS

TAAT Lifestyle & Wellness Inc. (Formerly Molori Energy Inc.) (“TAAT” or the “Company”) was incorporated on June 5, 2006 in British Columbia under the Business Corporations Act. The Company is a life sciences company focused on non-tobacco based smokable products. The Company is listed on the Canadian Stock Exchange (“CSE”) under the symbol “TAAT” as well as OTC Markets Group, on the OTCQB, under the symbol “TOBAF” and on the Frankfurt Stock Exchange under the symbol “2TP2”. Previous to focusing on non-tobacco based smokable products, the Company was in the business of exploring for or purchasing economically viable oil and gas resource deposits. During the year ended October 31, 2018, the operations of all the leases in which the Company owned a working interest in were suspended.

The Company’s head office is 345 Horner Avenue, Toronto, ON M8W 1Z6 and its registered address is Suite 810 – 789 West Pender Street, Vancouver BC, V6C 1H2.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the development phase of its new business focus. The Company has incurred losses since inception and to date has not generated significant revenues. The continuance of the Company is dependent on its ability to increase demand for its products and generate positive cash inflows.

### 2. BASIS OF PREPARATION

#### Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34 – Interim Financial Reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed, and therefore the condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the years ended October 31, 2020 and 2019, including the accompanying notes thereto.

The Board of Directors approved these condensed interim consolidated financial statements on April 1, 2021.

#### Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

#### Foreign currency transactions

The Company’s presentation currency is the Canadian dollar which is the functional currency of the Company and TT Enterprises Inc. The functional currency of TAAT International LLC is the US dollar. Functional currency is the principal currency of the economic environment in which each entity operates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their functional currency equivalent using foreign exchange rates prevailing at the statement of financial position date. Non-monetary assets and liabilities are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Revenue and expense items, at the rate of exchange prevailing at the transaction date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

For presentation purposes, all amounts for TAAT International LLC are translated from the US dollar functional currency to the Canadian dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive loss are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates. Exchange gains and losses arising from translation to the Company’s presentation currency are recorded as cumulative translation adjustment, which is included in accumulated other comprehensive loss.

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 2. BASIS OF PREPARATION (cont'd)

##### Significant Estimates, Judgments and Assumptions

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of net assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are consistent with those presented in Note 2 to the Company's annual consolidated financial statements.

##### Basis of Consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries:

	Ownership Interest	Jurisdiction
TT Enterprises Inc.	100%	Canada
TAAT International LLC	100%	United States

Subsidiaries are fully consolidated in the Company's consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

##### COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during the year ended October 31, 2020. The production and sale of cannabis have been recognized as essential services across Canada and Europe. As at October 31, 2020, the Company recognized impairments of goodwill and intangible assets due to uncertainties related to COVID-19 (Note 7). There has been no further impact for period ended January 31, 2021.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's 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 intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as described in Note 3 to the annual consolidated financial statements have been consistently applied in the presentation of these condensed interim consolidated financial statements.

##### New Accounting Standards

The Company continues to review changes to IFRS standards, there are no other pending IFRSs that are expected to be relevant to the Company's condensed interim consolidated financial statements.

#### 4. BUSINESS COMBINATIONS

##### TT Enterprises Inc.

On February 12, 2020, the Company entered into a share purchase agreement to acquire all of the issued and outstanding common shares of TT Enterprises Inc ("TrueToke"). TrueToke is a Canadian cannabis lifestyle brand in the business of supplying cannabis accessories. The acquisition closed on March 18, 2020.

In accordance with IFRS 3 Business Combinations ("IFRS 3"), the substance of a transaction constitutes a business combination as the business of TrueToke meets the definition of a business under the standard. Accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price is based on management's estimate of fair value of the common shares issued, contingent consideration and cash consideration paid.



## **TAAT LIFESTYLE & WELLNESS LTD.**

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

---

As consideration, the Company paid 7,500,000 common shares with a fair value of \$951,454 and cash of \$50,000 during the year ended October 31, 2020. An additional \$150,000 (“Additional Consideration”) shall be payable by the Company upon the Company completing a financing of at least \$500,000 concurrent with a listing of the Company’s common shares on the CSE. The Additional Consideration was discounted using the cost of debt for a fair value of \$142,406 on acquisition. During the period ended January 31, 2021, the Company paid the Additional Consideration and \$7,594 of accretion was recognized in profit or loss.. In accordance with IFRS 3, the equity consideration on transfer was measured at fair value at the acquisition date, which is the date control was obtained.

In February 2020, the Company issued 525,000 common shares with a fair value of \$105,000 to an arm’s length party in connection with the acquisition of True Toke, which was expensed as a transaction cost.

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 4. BUSINESS COMBINATIONS (cont'd)

<b>Consideration paid during the year ended October 31, 2020</b>		<b>\$</b>
Fair value of shares issued		951,454
Additional consideration		142,406
Cash paid		50,000
<b>Total consideration</b>		<b>1,143,860</b>
Net assets acquired		
Cash		10,303
Accounts receivable		8,937
Inventory		33,396
Accounts payable and accrued liabilities		(19,554)
Deferred income tax liability <sup>(1)</sup>		(108,949)
<b>Total net assets acquired</b>		<b>(75,867)</b>
Balance allocated to		
Intangible assets - TrueToke Brand (Note 7)		329,080
Intangible assets - Customer Relationships (Note 7)		72,000
Goodwill (Note 7)		818,647
<b>Total</b>		<b>1,143,860</b>

(1) Deferred Income Tax Liability of \$108,949 was recovered as at October 31, 2020

#### TAAT International LLC

On February 21, 2020, the Company entered into a share purchase agreement to complete the acquisition of all issued and outstanding securities of TAAT International LLC ("TAAT Intl."). TAAT Intl. is a United States based wellness brand in the business of non-tobacco based smokable products. The acquisition closed on February 21, 2020.

In accordance with IFRS 3, the substance of a transaction constitutes a business combination as the business of TAAT Intl. meets the definition of a business under the standard. Accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price is based on management's estimate of fair value of the common shares issued.

As consideration, the Company paid 13,000,000 common shares with a fair value of \$1,255,800 during the year ended October 31, 2020. In accordance with IFRS 3, the equity consideration on transfer was measured at fair value at the acquisition date, which is the date control was obtained.

The Company issued 956,200 common shares with a fair value of \$191,240 to an arm's length party in connection with the acquisition of TAAT during the year ended October 31, 2020, which was expensed as a transaction cost.

<b>Consideration paid during the year ended October 31, 2020</b>		<b>\$</b>
Fair value of shares issued		1,255,800
Net assets acquired		
Cash		7,564
Inventory		129,777
Property and equipment		115,376
Accounts payable and accrued liabilities		(72,876)
<b>Total net assets acquired</b>		<b>179,841</b>
Balance allocated to		
Goodwill (Note 7)		1,075,959
<b>Total</b>		<b>1,255,800</b>

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 5. RECEIVABLES

	January 31, 2021	October 31, 2020
	\$	\$
Trade receivables	4,515	45,600
Sales tax receivable	121,164	185,360
<b>Total</b>	<b>125,679</b>	<b>230,960</b>

In addition, during the period ended January 31, 2021, the Company loaned \$255,600 (\$200,000 USD) to a third party. The loan is non-interest bearing and due on demand.

#### 6. PROPERTY AND EQUIPMENT

	Furniture & equipment	Computers	Vehicles & machinery	Right-of-use asset	Total
	\$	\$	\$	\$	\$
<b>Cost:</b>					
October 31, 2019	-	-	-	-	-
Additions	15,801	4,719	93,838	376,489	490,847
Acquired from business combinations (Note 4)	18,336	-	97,040	-	115,376
October 31, 2020	34,137	4,719	190,878	376,489	606,223
Additions	-	-	83,335	-	83,335
January 31, 2021	34,137	4,719	274,213	376,489	689,558
<b>Amortization:</b>					
At October 31, 2019	-	-	-	-	-
Charge for the year	(3,439)	(35)	(24,860)	(85,657)	(113,991)
At October 31, 2020	(3,439)	(35)	(24,860)	(85,657)	(113,991)
Charge for the period	(1,478)	(628)	(18,270)	(27,398)	(47,774)
Cumulative translation adjustment	(1,088)	(145)	(7,491)	-	(8,724)
January 31, 2021	(6,005)	(808)	(50,621)	(113,055)	(170,489)
<b>Net book value:</b>					
October 31, 2020	30,698	4,684	166,018	290,832	492,232
January 31, 2021	28,132	3,911	223,592	263,434	519,069

The right of use asset relates to a three-year lease entered into by the Company, with a commencement date of January 23, 2020. The lease is reflected on the statements of financial position as a right-of-use asset, with an associated lease liability. The discount rate applied to the lease is 10% (Note 10).

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 7. INTANGIBLE ASSETS AND GOODWILL

During the year ended October 31, 2020, pursuant to the business combinations (Note 4) the Company acquired intangible assets and goodwill as follows:

	TrueToke Brand	Customer Relationships	Goodwill	Total
	\$	\$	\$	\$
Balance, October 31, 2019	-	-	-	-
Acquired from business combinations (Note 4)	329,080	72,000	1,894,606	2,295,686
Amortization	-	(6,394)	-	(6,394)
Impairment	(329,080)	(65,606)	(818,647)	(1,213,333)
Balance, October 31, 2020 and January 31, 2021	-	-	1,075,959	1,075,959

As at October 31, 2020, the Company performed a recoverable value calculation for TrueToke and TAAT Intl. at the cash generating unit level ("CGU"). As the fair value less costs to dispose of each CGU is not readily determinable, the Company estimated the value in use of the CGU to determine the recoverable value through a discounted cash flow analysis. The recoverable value of the TrueToke intangibles and goodwill were estimated to be \$Nil and accordingly, the intangible assets and goodwill were impaired to \$Nil. The recoverable value of goodwill related to TAAT Intl. was estimated to be higher than the carrying value, therefore, no impairment on goodwill was recognized. These cash flows are projected for a period of 5 years for TrueToke and 2 years for TAAT Intl. using a pre-tax discount rate of 30%. These projections carry a material degree of uncertainty in estimating the recoverable amounts. In making such assumptions, management has used its best estimate of future economic and market conditions. These valuations are categorized as Level 3 in the fair value hierarchy.

#### 8. INVENTORY

As at January 31, 2021, inventory consists of finished cannabis accessory products of \$34,434 (October 31, 2020 - \$32,107) and hemp of \$485,183 (October 31, 2020 - \$285,294).

#### 9. PREPAIDS

As at January 31, 2021 and October 31, 2020, prepaids consist of the following:

	January 31, 2021	October 31, 2020
	\$	\$
Legal	35,145	36,625
Marketing	360,696	299,839
Consulting	477,890	168,750
General and administrative	223,581	44,751
<b>Total</b>	<b>1,097,312</b>	<b>549,965</b>

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 10. LEASE LIABILITY

The Company recognized right-of-use asset of \$376,489 and lease liability of \$328,999. The Company recorded a right-of-use asset for the lease office in the condensed interim consolidated statement of financial position as at October 31, 2020 (Note 6).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 10%, which is the Company's approximate incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the period ended January 31, 2021:

	\$
<b>Balance, October 31, 2020</b>	280,924
Lease additions	-
Lease payments	(32,492)
Interest expense on lease liabilities	5,884
Foreign exchange	(16,977)
<b>Balance, January 31, 2021</b>	237,339
Current portion	87,418
<b>Non-current portion</b>	<b>149,921</b>

#### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	January 31, 2021	October 31, 2020
	\$	\$
Accounts payables	731,949	348,045
Sales tax payable	10,467	10,175
Accruals	592,957	620,791
<b>Total</b>	<b>1,335,373</b>	<b>979,011</b>

Included in accounts payable and accruals are amounts totaling \$323,726 (October 31, 2020 - \$279,736) due to related parties (Note 14).

The Company has recognized \$79,000 in accounts payable and accrued liabilities related to rehabilitation provisions

#### 12. NOTES PAYABLE

	January 31, 2021	October 31, 2020
	\$	\$
Principal	-	146,000
Addition	-	150,000
Interest payable	-	32,506
Repayments	-	(328,506)
	-	-

On January 1, 2018, the Company obtained a promissory note in the amount of \$250,000 from an officer of the Company. The promissory note is secured with 25% working interest the Company owned on certain leases in Texas, bears interest of 5% per annum compounded monthly. During the year ended October 31, 2019, the Company repaid \$104,000. During the year ended October 31, 2020, the Company accrued interest of \$5,755 on the note and repaid the note in full.

On July 31, 2020, the Company obtained a promissory note in the amount of \$150,000 from an arms length party. The promissory note bears interest at a rate of 8% per annum, and the total outstanding principal amount is due and payable on demand. During year ended October 31, 2020, the Company accrued interest of \$3,419 on the note and repaid the note in full.

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 13. SHARE CAPITAL AND RESERVES

##### Authorized share capital

Unlimited number of common and preferred shares without par value.

##### Issued share capital

###### *Shares issued during the period ended January 31, 2021*

During the three months ended January 31, 2021, the Company issued 5,499,308 common shares related to exercise of warrants for gross proceeds of \$10,412,817 and 605,834 common shares for gross proceeds of \$257,482 related to exercise of stock options. Upon exercise of the stock options, the Company transferred \$283,557 from reserves.

###### *Shares issued during the period ended January 31, 2020*

The Company did not issue any common shares during the period ended January 31, 2020.

On December 27, 2019 and January 24, 2020, the Company received subscription payments of \$31,205 and \$25,000, respectively. Proceeds were related to the non-brokered private placement completed on September 18, 2019.

During the three months ended January 31, 2020, the Company received subscription proceeds of \$370,512 for a non-brokered private placement that completed on February 21, 2020.

##### Stock options and warrants

The Board of Directors of the Company adopted a stock option plan on April 25, 2013 (the "2013 Plan") and confirmed the plan on July 26, 2018 at the Company's Annual General Meeting (the "Stock Option Plan"). The Stock Option Plan stipulates that the maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 10% of the outstanding shares at the time Plan Shares are reserved for issuance. The Stock Option Plan was approved by Disinterested Shareholders (defined in the 2013 Plan) of the Company on July 26, 2018.

Shareholders approved the adoption of a 20% rolling stock option plan (the "2020 Plan") at the Company's annual general and special meeting on August 14, 2020. The number of common shares proposed to be granted under the 2020 Plan is a maximum of 20% of the issued and outstanding common shares of the Company at the time of grant.

	Options		Warrants	
	Number of Options	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, October 31, 2019	580,000	0.77	9,283,745	0.10
Issued	11,841,570	0.67	8,380,659	1.62
Exercised <sup>(1)(2)</sup>	(1,226,570)	0.33	(7,308,118)	0.45
Expired	(175,000)	0.40	(294,555)	1.00
Balance, October 31, 2020	11,020,000	0.72	10,061,731	1.08
Issued	1,955,000	2.65	-	0.00
Exercised <sup>(1)(2)</sup>	(605,834)	0.42	(5,499,308)	1.89
Balance, January 31, 2021	12,369,166	1.04	4,562,423	0.10

(1) Weighted average share price on date of option exercise was \$3.09 (fiscal year 2020: \$2.78)

(2) Weighted average share price on date of warrant exercise was \$3.03 (fiscal year 2020: \$1.92)

On September 25, 2020, the Company accelerated the expiry date of the Warrants granted on August 28, 2020 and September 11, 2020 in connection with the August Private Placement and September Private Placement, which resulted in a total of 294,555 Warrants expiring on October 25, 2020. As at January 31, 2021, stock options are outstanding are as follows:

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 13. SHARE CAPITAL AND RESERVES (cont'd)

##### Stock options and warrants (cont'd)

Expiry date	Number #	Exercise price \$
February 15, 2021*	92,500	0.80
June 21, 2021	125,000	1.04
September 1, 2022	700,000	0.90
September 28, 2022	150,000	2.00
October 21, 2022	77,500	2.75
August 14, 2024	1,250,000	1.00
September 1, 2024	300,000	0.90
June 16, 2025	4,704,166	0.25
September 17, 2025	3,015,000	1.19
December 2, 2022	100,000	2.93
December 2, 2024	900,000	2.93
December 30, 2025	955,000	2.36
	12,369,166	

\*Subsequent to the period January 31, 2021, 37,500 stock options were exercised (Note 18) and the remaining 55,000 stock options expired.

The weighted average price of options outstanding was \$1.04 and the weighted average life was 3.73 years. As of January 31, 2021, 10,566,666 options were exercisable with weighted average exercise price \$0.90 and weighted average life of 4.03 years.

On June 16, 2020, the Company granted 6,264,070 stock options to directors, officers and consultants of the Company with an exercise price of \$0.25 per option expiring June 16, 2025. These options vest immediately and have a fair value, calculated using the Black-Scholes Option Pricing Model of \$2,052,405 assuming an expected life of 5 years, a risk-free interest rate of 0.38%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$2,052,405 during the year ended October 31, 2020.

On August 14, 2020, the Company granted 1,250,000 stock options to an officer of the Company with an exercise price of \$1.00 per option expiring August 14, 2024. The options vest over the several periods, 25% vest immediately, 25% vest on June 30, 2021, and 50% vest on December 31, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$761,978 assuming an expected life of 4 years, a risk-free interest rate of 0.33%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$295,890 during the year ended October 31, 2020 and \$124,313 during the period ended January 31, 2021.

On September 1, 2020, the Company granted 700,000 stock options to a consultant of the Company with an exercise price of \$0.90 per option expiring September 1, 2022. These options vest immediately and have a fair value, calculated using the Black-Scholes Option Pricing Model of \$297,067 assuming an expected life of 2 years, a risk-free interest rate of 0.27%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$297,067 during the year ended October 31, 2020.

On September 1, 2020, the Company granted 300,000 stock options to an employee of the Company with an exercise price of \$0.90 per option expiring September 1, 2024. The options vest over several periods, 50% vest on December 31, 2020 and 50% vest on June 30, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$159,778 assuming an expected life of 3.67 years, a risk-free interest rate of 0.29%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$56,160 during the year ended October 31, 2020 and \$67,345 during the period ended January 31, 2021.

On September 17, 2020, the Company granted 3,100,000 stock options to consultants of the Company with an exercise price of \$1.19 per option expiring September 17, 2025. The options vest over several periods, 3,088,750 options vest immediately and 11,250 options vest on October 20, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$2,725,166 assuming an expected life of 5 years, a risk-free interest rate of 0.36%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$2,717,072 during the year ended October 31, 2020 and \$2,104 during the period ended January 31, 2021.

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 13. SHARE CAPITAL AND RESERVES (cont'd)

##### Stock options and warrants (cont'd)

On September 28, 2020, the Company granted 150,000 stock options to a consultant of the Company with an exercise price of \$2.00 per option expiring September 28, 2022. The options vest over several periods, 100,000 options vest immediately and 50,000 vest on January 29, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$152,575 assuming an expected life of 2 years, a risk-free interest rate of 0.25%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$117,281 during the year ended October 31, 2020 and \$39,229 during the period ended January 31, 2021.

On October 21, 2020, the Company granted 77,500 stock options to a consultant of the Company with an exercise price of \$2.75 per option expiring October 21, 2022. The options vest over several periods, 50% of the options vest immediately and 50% vest on October 21, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$108,408 assuming an expected life of 2 years, a risk-free interest rate of 0.23%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$55,296 during the year ended October 31, 2020 and \$69,393 during the period ended January 31, 2021.

On December 2, 2020, the Company granted 100,000 stock options to a consultant of the Company with an exercise price of \$2.93 per option expiring December 2, 2022. The options vest over several periods, 50% of the options vest immediately and 50% vest on February 1, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$152,885 assuming an expected life of 2 years, a risk-free interest rate of 0.27%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$152,885 during the period ended January 31, 2021.

On December 2, 2020, the Company granted 900,000 stock options to consultants and an officer of the Company with an exercise price of \$2.93 per option expiring December 2, 2024. The options vest over several periods, 200,000 of the options vest immediately, 325,000 stock options vest on June 30, 2021 and 375,000 stock options vest on December 30, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$1,807,531 assuming an expected life of 4 years, a risk-free interest rate of 0.41%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$703,148 during the period ended January 31, 2021.

On December 30, 2020, the Company granted 955,000 stock options to consultants of the Company with an exercise price of \$2.36 per option expiring December 30, 2025. The options vest immediately. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$1,665,870 assuming an expected life of 5 years, a risk-free interest rate of 0.41%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was \$1,665,870 during the period ended January 31, 2021.

As at January 31, 2021, share purchase warrants were outstanding as follows (Note 18):

<b>Expiry date</b>	<b>Number #</b>	<b>Exercise price \$</b>
June 6, 2021	4,553,063	0.10
June 10, 2021	9,360	0.25
<b>Total</b>	<b>4,562,423</b>	

The weighted average price of warrants outstanding was \$0.10 and the weighted average life was 0.35 years.

##### Reserve

Reserve record items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.



## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 13. SHARE CAPITAL AND RESERVES (cont'd)

##### Restricted Share Units

The Board of Directors of the Company adopted a Restricted Share Unit plan on July 27, 2020 and confirmed the plan on December 16, 2020 (the "Restricted Share Units Plan"). The Restricted Share Units Plan stipulates that the maximum aggregate number of Plan Shares that may be reserved for issuance under the Plan at any point in time is 20% of the outstanding shares at the time Plan Shares are reserved for issuance.

On December 16, 2020, the Company granted 250,000 Restricted Share Units ("RSUs") to an officer of the Company. 125,000 RSUs vest on August 31, 2021 and 125,000 RSUs vest on August 31, 2022. The RSUs expire on the earlier of December 16, 2030 and five years from the vesting date. During the period ended January 31, 2021, the Company recognized \$100,852 as share-based payments for the RSUs.

On December 16, 2020, the company granted 200,000 RSUs to an employee of the Company. 100,000 RSUs vest on November 30, 2021 and 100,000 RSUs vest on November 30, 2022. The RSUs expire on the earlier of December 16, 2030 and five years from the vesting date. During the period ended January 31, 2021, the Company recognized \$62,794 as share-based payments for the RSUs.

The fair value of the RSUs granted were determined using the market price of the Company's common shares on the date of grant.

Grant Date	Number Granted #	Number Vested at January 31, 2021	Expiry Date
December 16, 2020	450,000	-	Earlier of December 16, 2030 and five years from the vesting date
	450,000		

#### 14. RELATED PARTY TRANSACTIONS

##### Transactions during the year

Key management personnel comprise of the Chief Executive Officer ("CEO"), Chief Revenue Officer ("CRO"), Chief Financial Officer ("CFO"), and Directors of the Company. The remuneration of key management personnel is as follows:

	January 31, 2021 \$	January 31, 2020 \$
Management fees – former CFO	-	45,000
Salaries – CEO and CRO	91,250	-
Management fees - CFO	60,000	60,000
Share-based payments to the CEO	124,313	-
Share-based payments to the CRO	244,852	-
	520,415	105,000

The Company incurred the following transactions with companies that are controlled by key management personnel of the Company:

	January 31, 2021 \$	January 31, 2020 \$
Office expenses to a company controlled by the CFO	9,000	9,000
	9,000	9,000

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

#### 14. RELATED PARTY TRANSACTIONS (cont'd)

##### Outstanding Balances

As at January 31, 2021, \$247,726 (October 31, 2020 - \$279,736) is due to related parties (Note 11). All balances are unsecured, non-interest bearing and are due on demand.

#### 15. FINANCIAL INSTRUMENTS

##### Financial Instruments

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

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

The Company's financial instruments are accounted for as follows.

Financial Instrument	Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized Cost
Consideration payable	Amortized Cost
Lease liability	Amortized Cost
Prepays	Amortized Cost
Loan receivable	Amortized Cost
Receivables	Amortized Cost

The Company classifies its cash as financial assets at fair value through profit or loss and accounts payable and accrued liabilities, as other financial liabilities. These financial instruments including loan receivables and prepaid expenses are classified as level 1 in the fair value hierarchy as the fair value approximate their carrying value due to their short term nature. The consideration payable and lease liability are classified as level 3.

The Company's financial instruments are exposed to certain risks including liquidity risk, interest rate risk, liquidity risk and other market risk.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

As at January 31, 2021, the Company had a cash balance of \$19,026,183 (October 31, 2020 - \$11,934,596) to settle current liabilities of \$1,422,791 (October 31, 2020 - \$1,227,279) which are due within 12 months of January 31, 2021. The Company may need additional capital in the future to support its recent change of business model to non-tobacco based smokable products. The Company's future revenues, if any, are expected to be from the sale of the non-tobacco based smokable products.

As at January 31, 2021, the Company has an undiscounted cash flow obligation of \$126,066, and \$53,385 related to lease liability due in fiscal 2022 and 2023, respectively.

##### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of the commodity tax receivable and loan receivable. The Company has been successful in recovering receivables and believes credit risk with respect to receivables to be insignificant.

## TAAT LIFESTYLE & WELLNESS LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended January 31, 2021 and 2020

(Expressed in Canadian Dollars - unaudited)

---

#### 15. FINANCIAL INSTRUMENTS (cont'd)

##### Financial Instruments (cont'd)

###### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at January 31, 2021 and October 31, 2020, the Company does not have any cash in short-term deposits.

b) Foreign currency risk

The majority of the Company's business is conducted in United States dollars. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the US dollar. Fluctuations in the exchange rate among the Canadian dollar and the US dollar may have a material adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

#### 16. CONTINGENCY

During the year ended October 31, 2020, the Company received a notice of a claim filed against the Company by a former consultant for breach of contract. The Company is defending the claim. Management believes that the claim is without merit and at this time the outcome is not determinable. Therefore, no amount has been accrued in these condensed interim consolidated financial statements.

#### 17. SEGMENTED INFORMATION

The Company has one reportable segment being the sale of non-tobacco based smokable products.

##### Selected segmented financial information is as follows:

Period Ended January 31,	2021	2020
	\$	\$
<b>Sales</b>		
Canada	6,246	-
United States	159,540	-
<b>Total</b>	<b>165,786</b>	<b>-</b>

As at January 31, 2021 and October 31, 2020, all of the Company's long-term assets were in the United States.

#### 18. SUBSEQUENT EVENTS

Subsequent to January 31, 2021, the Company issued 2,471,186 common shares through the exercise of 2,471,186 share purchase warrants with exercise price of \$0.10 for gross proceeds of \$248,501 and 658,072 common shares through the exercise of 658,072 stock options with exercise prices between \$0.80 and \$1.19 for gross proceeds of \$593,445.