TAAT LIFESTYLE & WELLNESS LTD.
(FORMERLY MOLORI ENERGY INC.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019

(Expressed in Canadian dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF TAAT LIFESTYLE & WELLNESS LTD.

Opinion

We have audited the consolidated financial statements of TAAT Lifestyle & Wellness Ltd. (the "Company"), which comprise:

- the consolidated statement of financial position as at October 31, 2020;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity (deficiency) for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended October 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 28, 2020.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 1, 2021

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TAAT LIFESTYLE & WELLNESS LTD. (FORMERLY MOLORI ENERGY INC.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at	**October 31, 2020 $**	October 31, 2019 $
ASSETS		
Current assets		
Cash	**11,934,596**	344,736
Receivables (Note 5)	**230,960**	8,093
Prepaids (Note 9)	**549,965**	227,450
Inventory (Note 8)	**317,401**	-
	13,032,922	580,279
Non-current assets		
Property and equipment (Note 6)	**492,232**	-
Goodwill (Notes 4 and 7)	**1,075,959**	-
Total assets	**14,601,113**	580,279
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	**979,011**	534,227
Note payable (Notes 12 and 14)	**-**	169,332
Lease liability (Note 10)	**105,862**	-
Consideration payable (Note 4)	**142,406**	-
	1,227,279	703,559
Non-current liabilities		
Lease liability (Note 10)	**175,062**	-
Total liabilities	**1,402,341**	703,559
Shareholders' equity (deficiency)		
Share capital (Note 13)	**59,289,537**	40,019,262
Subscriptions receivable (Note 13)	**-**	(56,205)
Reserve (Note 13)	**8,224,662**	3,049,974
Accumulated other comprehensive income	**(2,463)**	-
Deficit	**(54,312,964)**	(43,136,311)
	13,198,772	(123,280)
Total liabilities and shareholders' equity (deficiency)	**14,601,113**	580,279

Nature of operations (Note 1)
Subsequent events (Note 19)

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

"John Cumming" Director *"Joel Dumaresq"* Director

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

TAAT LIFESTYLE & WELLNESS LTD. (FORMERLY MOLORI ENERGY INC.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the years ended	**October 31, 2020 $**	October 31, 2019 $
REVENUE		
Sales	**171,192**	-
Cost of goods sold	**(100,938)**	-
Gross profit	**70,254**	-
EXPENSES		
Accounting and legal	**340,504**	66,886
Accretion of decommissioning provision	**-**	18,919
Amortization (Note 6 and 7)	**119,489**	-
Exploration expenditures	**-**	11,021
Filing and regulatory	**96,308**	39,215
Foreign exchange (gain) loss	**(19,845)**	2,015
Accretion (Note 12)	**23,684**	12,718
Write-off of inventory (Note 8)	**42,431**	-
Management and consulting (Note 14)	**1,583,178**	746,205
Office, rent and administrative (Note 14)	**194,395**	73,247
Marketing and shareholder communication	**1,413,530**	70,292
Research and development	**183,432**	-
Share-based payments (Note 13)	**5,591,171**	-
Travel	**141,831**	37,450
Transaction cost (Notes 4 and 13)	**296,240**	-
Salaries and wages	**136,175**	-
Loss for the year	**(10,072,269)**	(1,077,968)
Other Items		
Interest income	-	705
Gain on write-off of accounts payable	-	37,748
Impairment of intangible assets and goodwill (Note 7)	**(1,213,333)**	-
Gain from extinguishment of decommissioning liabilities	-	570,567
Loss before income tax recovery	**(11,285,602)**	(468,948)
Income tax recovery (Notes 4 and 16)	**108,949**	-
Net loss	**(11,176,653)**	(468,948)
OTHER COMPREHENSIVE LOSS		
Item that may be reclassified subsequently to profit or loss		
Foreign exchange loss on translating foreign operations	**(2,463)**	-
Comprehensive loss	**(11,179,116)**	(468,948)
Basic and diluted loss per common share	**(0.19)**	(0.02)
Weighted average number of common shares outstanding	**57,985,522**	18,794,835

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

TAAT LIFESTYLE & WELLNESS LTD. (FORMERLY MOLORI ENERGY INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended	**October 31 2020 $**	October 31 2019 $
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	**(11,176,653)**	(468,948)
Non-cash items:		
Foreign exchange	**(3,440)**	-
Accretion of decommissioning provision	**-**	18,919
Amortization	**119,489**	-
Gain from extinguishment of decommissioning liabilities	**-**	(570,567)
Impairment of intangible assets	**394,686**	-
Impairment of goodwill	**818,647**	-
Gain on write-off of accounts payable	**-**	(37,748)
Write-off of inventory	**42,431**	-
Income tax recovery	**(108,949)**	-
Accretion of lease liability	**23,684**	-
Share-based compensation	**5,591,171**	-
Transaction cost	**296,240**	-
Interest expense accrued	**-**	12,718
Changes in non-cash working capital items:		
Receivables	**(213,930)**	13,402
Deposits and prepaid expenses	**(322,515)**	(219,907)
Inventory	**(196,658)**	-
Accounts payable and accrued liabilities	**880,104**	(354,872)
Interest Paid	**(23,332)**	-
Net cash used in operating activities	**(3,879,025)**	(1,607,003)
CASH FLOW USED IN INVESTING ACTIVITIES		
Cash from the acquistion of TAAT International LLC	**7,564**	-
Acquisition of TT Enterprises Inc., net	**(39,697)**	-
Expenditures on property, plant and equipment	**(114,358)**	-
Net cash used in investing activities	**(146,491)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable	**(296,000)**	(104,000)
Funds from notes payable	**150,000**	-
Repayment of lease liability	**(85,127)**	-
Subscriptions receivable	**56,205**	-
Net proceeds from issuance of common shares	**12,070,931**	1,815,007
Proceeds from exercise of options	**407,143**	-
Proceeds from exercise of warrants	**3,312,224**	119,400
Net cash provided by financing activites	**15,615,376**	1,830,407
Change in cash during the year	**11,589,860**	223,404
Cash, beginning	**344,736**	121,332
Cash, ending	**11,934,596**	344,736

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

TAAT LIFESTYLE & WELLNESS LTD. (FORMERLY MOLORI ENERGY INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended	**October 31 2020 $**	October 31 2019 $
Supplemental Cash Flow Disclosure		
Shares issued for acquisition of TAAT International LLC (Note 4)	**1,225,800**	-
Shares issued for acquisition of TT Enterprises Inc. (Note 4)	**951,454**	-
Contingent consideration for acquisition of TT Enterprises Inc. (Note 4)	**142,406**	-
Share issued for settlement of debt (Note 13)	**560,000**	-
Interest paid (Note 12)	**32,506**	-

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

TAAT LIFESTYLE & WELLNESS LTD. (FORMERLY MOLORI ENERGY INC.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share capital						
	Number	Amount $	Subscriptions Receivable $	Reserve $	Deficit $	Accumulated Other Comprehensive Loss $	Total $
Balance, October 31, 2019	36,203,980	40,019,262	(56,205)	3,049,974	(43,136,311)	-	(123,280)
Net and comprehensive loss	-	-	-	-	(11,176,653)	(2,463)	(11,179,116)
Options exercised	1,226,570	878,193	-	(471,050)	-	-	407,143
Private placement	18,502,105	12,350,098	56,205	-	-	-	12,406,303
Share issuance costs	190,299	(340,408)	-	61,241	-	-	(279,167)
Shares issued for debt settlement	800,000	560,000	-	-	-	-	560,000
Share-based compensation	-	-	-	5,591,171	-	-	5,591,171
Acquisitions	20,500,000	2,207,254	-	-	-	-	2,207,254
Transaction costs	1,481,200	296,240	-	-	-	-	296,240
Warrants exercised	7,308,118	3,318,898	-	(6,674)	-	-	3,312,224
Balance, October 31, 2020	**86,212,272**	**59,289,537**	**-**	**8,224,662**	**(54,312,964)**	**(2,463)**	**13,198,772**
Balance, October 31, 2018	9,696,623	38,028,650	-	3,049,974	(42,667,363)	-	(1,588,739)
Net and comprehensive loss	-	-	-	-	(468,948)	-	(468,948)
Private placement	24,234,157	1,871,212	(56,205)	-	-	-	1,815,007
Finder’s fees	1,974,693	-	-	-	-	-	-
Warrants exercised	298,500	119,400	-	-	-	-	119,400
Balance, October 31, 2019	36,203,973	40,019,262	(56,205)	3,049,974	(43,136,311)	-	(123,280)

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

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-tabacco 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 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 consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved these consolidated financial statements on March 1, 2021.

Basis of Presentation

These 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

Foreign currency transactions

The Company's and TT Enterprises Inc.'s presentation and functional currency is the Canadian dollar, and that 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 Canadian dollar equivalent using foreign exchange rates prevailing at the statement of financial position 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 Inernational 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.

Significant Estimates, Judgments and Assumptions

The preparation of the Company's 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 judgements where there is significant risk of material adjustments to assets and liabilities in future accounting periods are discussed below.

2. BASIS OF PREPARATION (cont'd)

Valuation of inventory

Management makes estimates of future customer demand for products when establishing appropriate provisions for inventory obsolescence. In making these estimates management considers the shelf-life of inventory and the expected profitability of sales.

Estimated useful lives and depreciation of tangible and intangible assets

Depreciation of tangible and intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Impairment of Property and Equipment, Intangible Assets and Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exist requires significant management judgment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Business combination versus asset acquisition

Judgement is required to determine if the Company's acquisitions represent a business combination or an asset purchase. The assessments requires management to determine if the acquisitions acquired represented an integrated set of activities with inputs, processes and outputs. The acquisitions of TT Enterprises Inc. and TAAT International LLC were considered business combinations.

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. The fair value of identified intangible assets is determined using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Provision for income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

2. BASIS OF PREPARATION (cont'd)

Share-based compensation

The fair value of stock options granted, and compensatory warrants are measured using the Black-Scholes option pricing model. Furthermore, shares consideration with escrow terms are also discounted using Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Company estimates volatility based on its historical share price or historical share price of comparable companies, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behaviour. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit, and the rate is adjusted to reflect the actual number of options that vest.

Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

The determination of the Company and its subsidiaries' functional currency
The functional currency of the Company and its subsidiaries is the currency of the primary economic environment and the Company reconsiders the functional currency if there is a change in events and conditions which determined the primary economic environment.

Right of Use Assets and Lease Liability
The right of use asset and lease liability is measured by discounting the future lease payments at an incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

For right of use assets and lease liability, the Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Accounts receivable
The trade receivable balance is recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

Decommissioning Liability
The decommissioning liability is estimated by management based on the Company's ownership in wells. This includes all estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods.

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 consolidated financial statements include the accounts of the Company and its principal 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.

2. BASIS OF PREPARATION (cont'd)

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).

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

Inventory

Inventory consists primarily of hemp and finished goods. Inventory is valued at the lower of cost and net realizable value with cost based upon the weighted average method. The cost of an item of inventory consists of the purchase price. The net realizable value of inventory represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, the charge is recognized in profit or loss.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from property and equipment and any gain or loss is reflected as a gain or loss from operations.

Property and equipment is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and additions during the year are depreciated on a pro-rata basis.

Machinery and vehicles - 30% declining balance
Furniture and equipment - 20% declining balance
Right-of-use asset - straight-line over term of lease

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is cash and the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in profit or loss.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combination (continued)

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Intangible assets

Intangible assets consist of brands and customer relationships. Intangible assets with definite life are recorded at cost less accumulated amortization and any impairment losses, and intangible assets with indefinite life are tested for impairment annualy. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives. No amortization is recorded for indefinite life intangibles.

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in profit or loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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
Notes payable	Amortized Cost
Prepaids	Amortized Cost
Receivables	Amortized Cost

Financial assets
The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Amortized cost - Amortized cost are those assets which are held within a business model whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest. A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using effective interest method, net of impairment loss, if necessary.

Fair value through other comprehensive income ("FVOCI") For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Fair value through profit or loss ("FVTPL") - A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Financial liabilities
Management determines the classification of its financial liabilities at initial recognition.

Amortized cost - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (continued)

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

Derecognition of financial liabilities
A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Revenue from Contracts with Customers

Revenue is recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of hemp products and cannabis related accessories are recognized when the Company transfers control of the goods to the customer. In some cases, judgment is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time on receipt by the customer. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

Share Capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, with any excess value allocated to the warrants. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercises would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company has recognized $79,000 in accounts payable and accrued liabilities related to rehabilitation provisions. During the year ended October 31, 2019, the Company recognized a recovery of $570,567 related to the extinguishment of decommissioning liabilities.

On November 17, 2020, the Company assigned the rights under its last remaining oil and gas lease related to the Thompson leases, located in Texas, for $Nil consideration and does not have any further rehabilitation provisions.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Income taxes

Current tax is the expected tax payable or receivable on taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred taxes are recorded using the statement of financial position liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position reporting date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting or taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in the reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the consolidated statement of comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

Each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

All equity-settled share-based payments are reflected in reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. On expiration of options, the previously recognized amount is left in the reserves.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases ("IAS 17") and related interpretations. The standard introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases with a term exceeding 12 months, unless the underlying asset is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17. The Company adopted the standard on November 1, 2019 however, as it did not have any leased properties on adoption IFRS 16 had no impact on the opening financial statements.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in "accretion" in the consolidated statement of comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration or sales and marketing expense, as appropriate given how the underlying leased asset is used, in profit or loss.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

(Expressed in Canadian Dollars)

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.

As consideration, the Company paid 7,500,000 common shares with a fair value of $951,454 and cash of $50,000. An additional $150,000 ("Additional Consideration") (paid subsequent to October 31, 2020) 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. 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.

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

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

(Expressed in Canadian Dollars)

4. BUSINESS COMBINATIONS (cont'd)

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 prducts. 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. 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, which was expensed as a transaction cost.

Consideration paid	**$**
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)
Total net assets acquired	179,841
Balance allocated to	
Goodwill (Note 7)	1,075,959
Total	1,255,800

(Expressed in Canadian Dollars)

5. RECEIVABLES

	October 31, 2020 $	October 31, 2019 $
Trade receivables	**45,600**	-
Sales tax receivable	**185,360**	8,093
Total	**230,960**	8,093

6. PROPERTY AND EQUIPMENT

Property and equipment are held by the Company and its subsidiaries. The opening balances have been shown as of the date of transition to the consolidation method of accounting.

	Furniture & equipment $	Computers $	Vehicles & machinery $	Right-of-use asset $	Total $
Cost:					
October 31, 2019 and 2018	-	-	-	-	-
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
Amortization:					
At October 31, 2019 and 2018	-	--	-	-	-
Charge for the year	(3,439)	(35)	(24,860)	(85,657)	(113,991)
October 31, 2020	(3,439)	(35)	(24,860)	(85,657)	(113,991)
Net book value:					
October 31, 2019	-	-	-	-	-
October 31, 2020	30,698	4,684	166,018	290,832	492,232

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 lability. The discount rate applied to the lease is 10% (Note 10).

(Expressed in Canadian Dollars)

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 and 2018	-	-	-	-
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	-	-	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 flow 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 October 31, 2020, inventory consists of finished cannabis accessory products of $32,107 (2019 - $Nil) and hemp of $285,294 (2019 - $Nil). Duirng the year-ended October 31, 2020, inventory write-off related to hemp is $42,431 (2019 - $Nil) recognized in profit or loss.

9. PREPAIDS

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

	October 31, 2020 **$**	**October 31, 2019** **$**
Legal	36,625	-
Marketing	299,839	-
Consulting	168,750	220,083
General and administrative	44,751	7,367
Total	549,965	227,450

(Expressed in Canadian Dollars)

10. LEASE LIABILITY

The Company recognized right-of-use asset of $376,489 (including transaction costs) and lease liability of $328,999. The Company recorded a right-of-use asset for the lease office in the consolidated statements 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 year ended October 31, 2020:

	$
Balance, October 31, 2019	-
Lease additions	328,999
Lease payments (1)	(74,709)
Interest expense on lease liabilities	23,683
Foreign exchange	2,951
Balance, October 31, 2020	280,924
Current portion	105,862
Non-current portion	**175,062**

(1) Lease payment of $10,418 was made prior to lease commencement and not included in the lease liability.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	October 31, 2020 $	October 31, 2019 $
Accounts payables	348,045	85,227
Sales tax payable	10,175	-
Accruals	620,791	449,000
Total	979,011	534,227

Included in accounts payable and accruals are amounts totaling $279,736 (2019 - $375,768) due to related parties (Note 14).

During the year ended October 31, 2020, the Company settled debt of $560,000 with a former related party by issuing 800,000 units with a fair value of $560,000 (Notes 13 and 14).

(Expressed in Canadian Dollars)

12. NOTES PAYABLE

	October 31, 2020 $	October 31, 2019 $
Principal	146,000	250,000
Addition	150,000	-
Interest payable	32,506	23,332
Repayments	(328,506)	(104,000)
	-	169,332

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.

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 year ended October 31, 2020

On February 21, 2020, the Company completed a non-brokered private placement and issued 2,250,000 common shares at a price of $0.20 per common share for total proceeds of $450,000. The Company paid finders fees totalling $21,091 in connection with the private placement.

On February 21, 2020, the Company issued 13,000,000 of common shares with a fair value of $1,255,800 for the acquisition of TAAT (Note 4). 11,500,000 of the issued shares were held at escrow, of which 1,150,000 shares are to be released on June 22, 2020, 1,725,000 shares are to be released every 6 months from June 22, 2020. As at October 31, 2020, 10,350,000 shares remained in escrow. On February 21, 2020, the Company issued 956,200 common shares of the Company with a fair value of $191,240 to an arm's length party in connection with the acquisition of TAAT (Note 4).

On February 24, 2020, the Company issued 7,500,000 of common shares shares with a fair value of $951,454 for the acquisition of TrueToke (Note 4) . On February 24, 2020, the Company issued 525,000 common shares of the Company with a fair value of $105,000 to an arm's length party in connection with the acquisition of True Toke (Note 4).

On May 4, 2020, the Company closed a non-brokered private placement of 2,060,520 common shares at a price of $0.20 per share for gross proceeds of $412,104.

On June 10, 2020, the Company completed a non-brokered private placement and issued 3,020,000 common shares at a price of $0.25 per common share for total proceeds of $755,000 (the "First Private Placement"). The Company also completed additional non-brokered private placement of 675,000 common shares at a price of $0.40 per share for gross proceeds of $270,000 on June 10, 2020 (the "Second Private Placement").

Finder's fees of $7,200 cash and an 28,800 common shares purchase warrants ("Finder's Warrants") with an exercise price of $0.25 to purchase one additional Share per Finder's Warrant for a period of 12 months from closing have been paid as finder's fees to arm's length parties in connection with the closing of the First Private Placement. These warrants have a fair value, calculated using the Black-Scholes Option Pricing Model of $6,761 assuming an expected life of 1 year, a risk-free interest rate of 0.25%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%.

13. SHARE CAPITAL AND RESERVES (cont'd)

On August 28, 2020, the Company completed a non-brokered private placement (the "August Private Placement") of 2,919,005 Units at a price of $0.70 per Unit (a "Unit") for gross proceeds of $2,043,304. Each Unit consists of one common share and one-half of one common share purchase warrant (with two-half warrants being a "Warrant"); each Warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 for a period of twelve (12) months from issuance. The Company has the right to accelerate the expirty date of the Warrants if the closing market price of the common shares of the Company on the Canadian Securities Exchange trade at $1.25 or great for a period of five (5) consecutive trading days at any time from the closing date, by giving notice to holders thereof and, in such case, the Warrants will expire on the thirtieth day after the date of such notice. On September 25, 2020, the Company accelerated the expiry date for the Warrants to October 25, 2020, which resulted in 37,501 Warrants remaining that expired on October 25, 2020. As the market price of the shares were deemed to be greater than the unit price, there was no residual to assign to the warrants.

On August 28, 2020, the Company issued 800,000 Units with a fair value of $560,000 to settle debt of $560,000 with a former related party (Notes 11 and 14). The Units issued for the debt settlement have the same terms as the August Private Placement.

In connection with the August Private Placement, the Company paid finders fees of $133,250 in cash, 121,000 common shares ("Finder's Shares") with a fair value of $101,640 and 12,002 Finder's Warrants which will entitle the holder to acquire one additional common share of the Company at a price of $1.00 for a period of twelve (12) months from issuance with the same terms as the August Private Placement. These warrants have a fair value, calculated using the Black-Scholes Option Pricing Model of $3,334 assuming an expected life of 1 year, a risk-free interest rate of 0.25%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. On September 25, 2020, the company accelerated the expiry date for the Finder's Warrants and 12,002 Finder's Warrants expired on October 25, 2020.

On September 11, 2020, the Company completed a non-brokered private placement (the "September Private Placement") of 2,385,272 Units at a price of $0.70 per Unit (a "Unit") for gross proceeds of $1,669,690. Each Unit consists of one common share and one-half of one common share purchase warrant (with two-half warrants being a Warrant); each Warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 for a period of twelve (12) months from issuance. The Company has the right to accelerate the expiry date of the Warrants if the closing market price of the common shares of the Company on the Canadian Securities Exchange trade at $1.25 or great for a period of five (5) consecutive trading days at any time from the closing date, by giving notice to holders thereof and, in such case, the Warrants will expire on the thirtieth day after the date of such notice. On September 25, 2020, the Company accelerated the expiry date for the Warrants to October 25, 2020, which resulted in 149,642 Warrants remaining that expired on October 25, 2020. As the market price of the shares were deemed to be greater than the unit price, there was no residual to assign to the warrants.

In connection with the September Private Placement, the Company paid finders fees of $117,627 in cash, 69,299 Finder's shares with a fair value of $83,852, and 95,410 Finder's Warrants which will entitle the holder to acquire one additional common share of the Company at a price of $1.00 for a period of twelve (12) months from issuance with the same terms as the September Private Placement. These warrants have a fair value, calculated using the Black-Scholes Option Pricing Model of $51,145 assuming an expected life of 1 year, a risk-free interest rate of 0.24%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. On September 25, 2020, the Company accelerated the expiry date for the Finder's Warrants and 95,410 Finder's Warrants expired on October 25, 2020.

On October 5, 2020, the Company completed a non-brokered private placement of 5,192,308 Units at a price of $1.30 per Unit (a "Unit") for gross proceeds of $6,750,000. Each Unit consists of one common share and one Warrant; each Warrant entitles the holder to acquire one additional common share of the Company at a price of $2.00 for a period of twelve (12) months from issuance.

During the year ended October 31, 2020, the Company issued 7,308,118 common shares through the exercise of 4,423,682 share purchase warrants with an exercise price of $0.10, 19,440 share purchase warrants with an exercise price of $0.25, and 2,864,996 with an exercise price of $1.00 for gross proceeds of $3,312,224. In relation to the exercise of the warrants, $6,674 was transferred from reserve to share capital. The Company also issued 1,226,570 common shares through the exercise of 75,000 stock options with an exercise price of $0.80, 75,000 stock options with an exercise price of $1.04, and 1,076,570 stock options with an exercise price of $0.25 for total gross proceeds of $407,143 and $471,050 was transferred from reserves upon exercise of stock options.

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

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES (cont'd)

Shares issued during the year ended October 31, 2019

On June 6, 2019, the Company completed a non-brokered private placement and issued 18,567,490 units at a price of $0.055 per unit for gross proceeds of $1,021,212. Each unit consists of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of $0.10 for a period of two years. The Company paid a finder's fee of 1,510,191 shares valued at $332,242 to an arm's length party in connection with the private placement. Using the residual method, no value was attributed to the warrants.

On September 18, 2019, the Company completed a non-brokered private placement and issued 5,666,667 common shares at a price of $0.15 per common share for gross proceeds of $850,000, of which the $56,205 were received subsequently to the year end (Note 15).The Company paid a finder's fee by issuing 464,500 common shares valued at $116,125.

The Company issued a total of 298,500 common shares for total gross proceeds of $119,400 through the exercise of 298,500 share purchase warrants with an exercise price of $0.40.

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, 2018	597,500	0.88	1,295,981	1.12
Issued	-	-	9,283,745	0.10
Exercised	-	-	(298,500)	0.40
Expired	(17,500)	14.4	(997,481)	0.40
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 (1) (2)	(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

(1) Weighted average share price on date of option exercise was $2.78
(2) Weighted average share price on date of warrant exercise was $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.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES (cont'd)

As at October 31, 2020, stock options are outstanding are as follows:

Expiry date	Number #	Exercise price $
February 15, 2021*	117,500	0.80
June 21, 2021	137,500	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	5,187,500	0.25
September 17, 2025	3,100,000	1.19
	11,020,000	

*Subsequent to the year-ended October 31, 2020, 62,500 stock options were exercised (Note 19) and the remaining 55,000 stock options expired.

The weighted average price of options outstanding was $0.72 and the weighted average life was 4.25 years. As of October 31, 2020, 9,682,500 options were exercisable with weighted average exercise price $0.67 and weighted average life of 4.33 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 3.25 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.

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 3.42 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.

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 4.46 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.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES (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 1.83 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.

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 $93,935 assuming an expected life of 1.5 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.

As at October 31, 2020, share purchase warrants were outstanding as follows (Note 15):

Expiry date	Number #	Exercise price $
June 6, 2021	4,860,063	0.10
June 10, 2021	9,360	0.25
October 15, 2021	5,192,308	2.00
Total	10,061,731	

The weighted average price of warrants outstanding was $1.08 and the weighted average life was 0.78 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.

(Expressed in Canadian Dollars)

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:

	October 31, 2020 $	October 31, 2019 $
Consulting fees	-	95,000
Management fees – former CFO	180,000	180,000
Management fees - CFO	240,000	240,000
Salaries - CEO and CRO	58,000	-
Share-based payments to the CEO	623,537	-
Share-based payments to the former CFO	163,824	-
Share-based payments to the CFO	163,824	-
Share-based payments to the CRO	56,160	-
Share-based payments to the directors	393,177	-
	1,878,522	515,000

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

	October 31, 2020 $	October 31, 2019 $
Consulting fees to a company jointly controlled by the former CFO	60,000	-
Office expenses to a company controlled by the CFO	12,000	12,000
Office expenses to a company controlled by the CFO	24,000	24,000
	96,000	36,000

Outstanding Balances

As at October 31, 2020, $279,736 (2019 - $375,768) is due to related parties (Note 11). All balances are unsecured, non-interest bearing and are due on demand.

During the year ended October 31, 2020, the Company settled debt of $560,000 with the former CFO and Corporate Secretary by issuing 800,000 units of the Company with a fair value of $560,000 (Notes 11 and 13).

As at October 31, 2020, there is a note payable of $Nil (2019 - $169,332) due to an officer of the Company (Note 12).

15. FINANCIAL INSTRUMENTS

Financial Instruments

The Company classifies its cash as financial assets at fair value through profit or loss and accounts payable and accrued liabilities, and notes payable as other financial liabilities. These financial instruments including 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 Comopany's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

As at October 31, 2020, the Company had a cash balance of $11,934,596 (2019: $344,736) to settle current liabilities of $1,227,279 (2019: $703,559) which are due within 12 months of October 31, 2020. 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 October 31, 2020, the Company has an undiscounted cash flow obligation of $131,373, and $55,633 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. The Company has been successful in recovering receivables and believes credit risk with respect to receivables to be insignificant.

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 October 31, 2020 and 2019, 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. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2020 $	2019 $
Loss for the year before income tax	(11,285,602)	(468,948)
Expected income tax recovery	(3,047,113)	(121,934)
Items not deductible for tax purposes	1,509,616	-
Origination and reversal of temporary differences	199,070	-
Other differences	(16,667)	333,313
Unused tax losses and offset not recognized	1,246,145	(211,379)
Total income tax recovery	(108,949)	-

Significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2020 $	2019 $	Expiry Dates
Share issuance costs	417,000	21,000	2021-2024
Non-capital losses	16,920,000	12,954,000	2026-2040
Canadian eligible capital	1,000	1,000	No expiry date
Marketable securities	280,000	280,000	No expiry date
Lease liability	281,000		No expiry date
Exploration and evaluation assets	79,000	79,000	No expiry date
Property and equipment assets	4,425,000	4,359,000	No expiry date
Asset retirement obligation	79,000	79,000	No expiry date
Investment tax credits	6,000	6,000	2030
Capital losses	25,909,000	25,909,000	No expiry date
	48,397,000	43,688,000	

(Expressed in Canadian Dollars)

17. CONTINGENCY

During the year ending 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 consolidated financial statements.

18. SEGMENTED INFORMATION

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

Selected segmented financial information is as follows:

Years Ended October 31,	2020 $	2019 $
Sales		
Canada	40,234	-
United States	123,958	-
Total	171,192	-

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

19. SUBSEQUENT EVENTS

Subsequent to October 31, 2020, the Company issued 7,364,494 common shares through the exercise of 7,364,494 share purchase warrants with exercise prices between $0.10 and $2.00 for gross proceeds of $10,601,835 and 1,160,334 common shares through the exercise of 1,160,334 stock options with exercise prices between $0.80 and $1.19 for gross proceeds of $755,213.

Additionally, the Company issued 1,955,000 options to consultants, officers and employees of the Company with exercises prices between $2.36 - $2.93 per share and terms between 2 to 5 years.

Furthermore, the Company adopted a Restricted Share Unit "RSU" plan and granted 450,000 RSUs to an officer and an employee. The RSUs granted vest 50% over two years.