

# AVANT

October 16, 2023

## Condensed Interim Consolidated Financial Statements

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(Unaudited - Expressed  
in Canadian dollars)

Three and Nine Months Ending August 31, 2023

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**AVANT BRANDS INC.****Condensed Interim Consolidated Statements of Financial Position**

As at August 31, 2023 and November 30, 2022

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

	Note	August 31, 2023	November 30, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,698	\$ 6,764
Accounts receivable	4	5,334	4,409
Prepaid expenses	5	1,493	1,691
Biological assets	6	6,600	4,146
Inventory	7	20,454	10,461
Marketable Securities		19	16
		<b>35,598</b>	<b>27,487</b>
Property, plant and equipment	9,11	43,432	28,651
Goodwill	8,11	6,024	6,024
Intangible assets	8,11	2,473	3,869
Investment in joint venture	10	-	1,000
<b>Total assets</b>		<b>\$ 87,527</b>	<b>\$ 67,031</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	19	\$ 9,096	\$ 2,683
Lease liabilities	13	1,304	611
Promissory note	12	1,168	-
Convertible debenture - current	12,14	6,067	-
Secured credit facility - current	15	574	-
		<b>18,209</b>	<b>3,294</b>
Amount due to non-controlling interests	11	-	11,989
Lease liabilities	13	8,828	2,400
Secured credit facility – non-current	15	1,393	-
Deferred tax liability		1,105	1,105
<b>Total liabilities</b>		<b>29,535</b>	<b>18,788</b>
<b>Shareholders' equity</b>			
Share capital	16	104,303	94,542
Contributed surplus	16	9,948	8,666
Accumulated deficit		(56,259)	(59,289)
<b>Equity attributable to equity holders of the parent</b>		<b>57,992</b>	<b>43,919</b>
Non-controlling interests	12	-	4,324
<b>Total shareholders' equity</b>		<b>57,992</b>	<b>48,243</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 87,527</b>	<b>\$ 67,031</b>

**Nature and continuance of operations (Note 1)****Commitments and contingencies (Note 22)**

Approved on behalf of the Board on

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

## AVANT BRANDS INC.

### Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022

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

	Note	Three months ended August 31		Nine months ended August 31	
		2023	2022	2023	2022
Revenue		\$ 7,547	\$ 4,697	\$ 24,387	13,767
Excise taxes		(1,056)	(741)	(2,881)	(1,540)
Net revenue	18	6,491	3,956	21,506	12,227
Cost of sales		(4,458)	(2,475)	(13,865)	(8,857)
Gross margin before fair value changes		2,033	1,481	7,641	3,370
Unrealized gain on changes in fair value of biological assets		11,095	1,982	19,882	3,348
Change in fair value of biological assets realized through inventory sold		(8,081)	(1,508)	(16,138)	(3,218)
<b>Gross margin</b>		<b>5,047</b>	<b>1,955</b>	<b>11,385</b>	<b>3,500</b>
<b>Operating expenses</b>					
Administration and general		351	248	989	505
Business fees and licenses		636	217	1,137	650
Consulting fees		217	172	461	464
Depreciation and amortization	8,9	543	421	1,604	1,262
Marketing and advertising		80	103	242	379
Professional fees		686	375	1,479	1,132
Salaries and wages		928	517	2,397	1,622
Share based payments	17	285	340	1,380	3,339
Travel		40	43	177	151
		3,766	2,436	9,866	9,504
<b>Net income (loss) from operations</b>		<b>1,281</b>	<b>(481)</b>	<b>1,519</b>	<b>(6,004)</b>
<b>Other income (expense)</b>					
Gain (loss) on marketable securities		-	5	3	(157)
Financing costs		(77)	(8)	(168)	(31)
Equity income on investment in associate		-	-	-	1,233
Gain on legal settlement		-	-	2	130
Interest and accretion	12,14	(263)	-	(835)	-
Fair value gain on acquisition		-	2,715	27	2,715
Foreign exchange loss		(10)	-	(15)	-
Other income		-	-	-	6
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 931</b>	<b>\$ 2,231</b>	<b>533</b>	<b>\$ (2,108)</b>
<b>Attributable to:</b>					
Equity holders of the parent		931	1,886	498	(2,453)
Non-controlling interests	12	-	345	35	345
<b>Income (loss) per common share</b>					
Basic		\$ 0.01	\$ 0.01	\$ 0.00	\$ (0.02)
Diluted		0.01	0.01	0.00	(0.02)
<b>Weighted average shares outstanding</b>					
Basic		257,903,922	211,237,107	243,019,287	201,221,147
Diluted		261,335,735	211,237,107	246,451,100	201,221,147

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

**AVANT BRANDS INC.****Condensed Interim Consolidated Statements of Changes in Equity**

For the nine-month periods ended August 31, 2023 and August 31, 2022

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

	Attributable to equity holders of the Company					
	Shares	Share capital	Contributed Surplus	Deficit	Equity – NCI	Total
<b>Balance at November 30, 2022</b>	<b>206,094,740</b>	<b>\$ 94,542</b>	<b>\$ 8,666</b>	<b>\$ (59,289)</b>	<b>\$ 4,324</b>	<b>\$ 48,243</b>
Net income for the period	-	-	-	498	35	533
Share units released	1,974,975	571	(741)	-	-	(170)
Shares issued for services	2,409,298	451	(182)	-	-	269
3PL NCI purchase	22,249,734	3,906	856	1,000	(4,252)	1,510
3PL NCI purchase transaction costs	-	-	-	(145)	-	(145)
Flowr Okanagan acquisition	7,402,186	1,480	-	-	5,330	6,810
Avant K1 NCI purchase	18,137,780	3,353	-	1,677	(5,437)	(407)
Share-based compensation	-	-	1,349	-	-	1,349
<b>Balance at August 31, 2023</b>	<b>258,268,713</b>	<b>104,303</b>	<b>9,948</b>	<b>(56,259)</b>	<b>-</b>	<b>57,992</b>
<b>Balance at November 30, 2021</b>	<b>199,591,886</b>	<b>\$ 92,744</b>	<b>\$ 6,877</b>	<b>\$ (51,747)</b>	<b>\$ -</b>	<b>\$ 47,874</b>
Net loss for the period	-	-	-	(2,453)	-	(2,453)
Net income for the period attributable to non-controlling interests	-	-	-	-	345	345
3PL acquisition – recognition of NCI fair value	-	-	-	-	5,000	5,000
Shares issued for contingent consideration for acquisitions	1,000,000	280	(280)	-	-	-
Share units released	1,510,995	425	(709)	-	-	(284)
Shares issued for services	3,008,807	807	(22)	-	-	785
Share-based compensation	-	-	2,881	-	-	2,881
<b>Balance at August 31, 2022</b>	<b>205,111,688</b>	<b>94,256</b>	<b>8,747</b>	<b>(54,200)</b>	<b>5,345</b>	<b>54,148</b>

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

**AVANT BRANDS INC.****Condensed Interim Consolidated Statements of Cash Flows**

For the nine-month periods ended August 31, 2023 and August 31, 2022

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

	August 31, 2023	August 31, 2022
<b>Cash flows from operating activities</b>		
Net income (loss)	533	(2,108)
Items not affecting cash:		
Depreciation and amortization	5,199	2,832
Interest and accretion	835	-
Equity income on investment in associate	-	(1,233)
Financing costs	168	166
Share-based payments	1,380	3,339
Unrealized gain on changes in fair value of biological assets	(19,882)	(3,348)
Change in fair value of biological assets realized through inventory sold	16,137	3,218
Fair value gain on acquisition	-	(2,715)
Other income	(24)	(6)
(Gain) Loss on marketable securities	(3)	157
	<b>4,343</b>	<b>302</b>
Change in non-cash operating working capital:		
Accounts receivable	297	(803)
Prepaid expenses	1,056	584
Biological assets	1,569	(456)
Inventory	(8,861)	(4,003)
Accounts payable and accrued liabilities	5,841	884
Net cash flows generated from (used in) operating activities	<b>4,245</b>	<b>(3,492)</b>
<b>Cash flows from investing activities</b>		
Investments in associates	-	(802)
Disposal of property and equipment	-	97
Acquisition of 3PL	-	59
Acquisition of Flowr Okanagan	(1,650)	-
Purchase of property and equipment	(2,918)	(999)
	<b>(4,568)</b>	<b>(1,645)</b>
<b>Cash flows from financing activities</b>		
Lease liability payments	(904)	(453)
Repayment of convertible debenture	(3,602)	-
Repayment of promissory note	(364)	-
Proceeds from issuance of secured credit facility	1,942	-
Purchase of non controlling interests	(1,500)	-
Transaction costs for purchase of non controlling interests	(145)	-
Contributions received from non-controlling interests	-	75
Payment on release of RSUs	-	(284)
Share units released	(170)	-
	<b>(4,743)</b>	<b>(662)</b>
Decrease in cash and cash equivalents	<b>(5,066)</b>	<b>(5,799)</b>
Cash and cash equivalents – beginning of period	<b>6,764</b>	<b>14,313</b>
<b>Cash and cash equivalents – end of period</b>	<b>1,698</b>	<b>8,514</b>

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

# AVANT BRANDS INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022

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

### 1 Nature and continuance of operations

Avant Brands Inc. (formerly GTEC Holdings Ltd.) (the “Company”) was originally incorporated as a capital pool company under the Canada Business Corporations Act. On July 28, 2017, the Company was continued under the Business Corporations Act (British Columbia). On June 12, 2018, the Company completed its Qualifying Transaction (as defined under the policies of the TSX Venture Exchange), pursuant to a business combination (the “Business Combination”) with GreenTec Holdings Ltd. and 1155425 BC Ltd. Following the completion of the Business Combination, the Company changed its name from Black Birch Capital Acquisition III Corp. to GTEC Holdings Ltd.

The Company’s Principal business activity is pursuing opportunities in the cannabis industry. The Company is a publicly traded company listed on the Toronto Stock Exchange (“TSX”) under the symbol “AVNT” and trades on the OTCQX Best Markets (OTCQX: AVTBF) and Frankfurt Stock Exchange (FRA: 1BU0). The Company’s head office is located at Suite 335 – 1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2.

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

The Company has incurred losses since its inception and has an accumulated deficit of \$56,259 as at August 31, 2023, that has been funded primarily by the issuance of equity, convertible debentures and advances from related parties. There is a material uncertainty related to these conditions that casts significant doubt about the Company’s ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern depends upon its ability to generate profitable operations or raise adequate financing in the future.

### 2 Basis of presentation

#### Statement of compliance and basis of measurement

The Company’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended November 30, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”) and Interpretations of the IFRS Interpretations Committee.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors of the Company on October 16, 2023.

#### Basis of consolidation

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

Subsidiaries	Geographical Region	Ownership percentage
Avant Craft Cannabis Inc. (“ACC”)	Edmonton, Alberta	100%
GreenTec Bio-Pharmaceuticals Inc. (“GBP”)	Kelowna, British Columbia	100%
GreenTec Holdings Ltd. (“GreenTec”)	Kelowna, British Columbia	100%
GreenTec Retail Ventures Inc.	Kelowna, British Columbia	100%
Grey Bruce Farms Incorporated (“Grey Bruce”)	Tiverton, Ontario	100%
Spectre Labs Inc.	Kelowna, British Columbia	100%
Tumbleweed Farms Corp. (“Tumbleweed”)	Chase, British Columbia	100%
1203648 B.C. Ltd.	Kelowna, British Columbia	100%
3PL Ventures Inc. (“3PL”)	Vernon, British Columbia	100%
Avant K1 Brands Inc. (“Avant K1”)	Kelowna, British Columbia	100%
The Flowr Group (Okanagan) Inc. (“Flowr Okanagan”)	Kelowna, British Columbia	100%

# AVANT BRANDS INC.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022

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

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

### Significant Accounting Policies

These unaudited condensed interim consolidated financial statements reflect the accounting policies and disclosures described to the Company's audited consolidated financial statements for the year ended November 30, 2022, with the exception of any new policies set out below and accordingly, should be read in conjunction with those audited consolidated financial statements and the notes thereto.

### Convertible debentures

Please refer to Note 14 for the convertible debentures account policy disclosure.

### Financial instruments

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of comprehensive loss. Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the statement of comprehensive loss. Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of loss and comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of comprehensive loss. Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of loss and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of comprehensive loss.

### Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of loss and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of comprehensive loss.

## 3 Adoption of new accounting pronouncements

### a) New IFRS Standards in issue but not yet effective:

#### (i) Amendments to IAS 37: *Onerous Contracts and the Cost of Fulfilling a Contract*

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.



## **AVANT BRANDS INC.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022

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

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#### **(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

#### **(iii) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendment narrowed the scope of certain recognition exemptions so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendment is effective for annual periods beginning on or after January 1, 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

#### **(iv) Amendments to IAS 41: Agriculture**

As part of its 2018-2020 annual improvements to the IFRS process, the IASB issued amendments to IAS 41. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13 "Fair Value Measurement". The amendment is effective for annual reporting periods beginning on or after January 1, 2023. The Company notes the amendment is not relevant for the Company's fair value measurement methodology.

#### **(v) Definition of Accounting Estimates (Amendments to IAS 8)**

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023 with early adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

#### **(vi) Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help companies provide useful accounting policy disclosures.

The key amendments include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023 with early adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

## AVANT BRANDS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022

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

#### 4 Accounts receivable

As of August 31, 2023 and November 30, 2022, accounts receivable consisted of:

	August 31, 2023		November 30, 2022	
Trade accounts receivable	\$	5,334	\$	4,409
	\$	5,334	\$	4,409

As of August 31, 2023, the Company performed an analysis over its aged receivables balance by customer. The Company noted the majority of receivables are from government bodies, which generally have low default risk. The remaining balance by customer review showed a history of collections from accounts receivable being reasonably assured. From the review, the Company noted that no further allowance is required and the Company recognized a \$nil provision for expected credit losses at August 31, 2023 (November 30, 2022 - \$nil).

#### 5 Prepaid expenses

As of August 31, 2023 and November 30, 2022, prepaid expenses consisted of:

	August 31, 2023		November 30, 2022	
Insurance	\$	70	\$	361
Packaging material prepayments		133		709
Deposits and other		1,290		621
	\$	1,493		1,691

#### 6 Biological assets

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

The changes in the carrying value of biological assets for the nine months ended August 31, 2023 and the year ended November 30, 2022 are as follows:

	August 31, 2023		November 30, 2022	
Carrying amount, opening	\$	4,146	\$	1,948
Flowr Okanagan acquisition		278		-
Production costs		14,048		9,342
Changes in fair value less costs to sell due to biological transformation		3,239		1,946
Transferred to inventory upon harvest		(15,111)		(9,090)
	\$	6,600	\$	4,146

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

- Estimated stage of growth of the cannabis up to the point of harvest;
- Expected yield by the strain of plant; and
- Fair value less selling costs.

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

On average, the growth cycle is between 14 to 17 weeks and the Company expects the average yield per plant to be between 63.10 to 99.00 grams of harvested flower and 10.00 to 32.32 grams of harvested trim. As at August 31, 2023, it is estimated that the Company's biological assets will yield approximately 1,702,387 grams of flower and 483,707 grams of trim when harvested.

## AVANT BRANDS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022

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

The Company has determined the average fair value less cost to sell to be \$3.82 per gram of flower and \$0.20 per gram of trim. As of August 31, 2023, a change of 10% in the estimated yield per plant, growth cycle, and fair value less cost to sell of dry cannabis would result in the variances noted below to the fair value of biological assets.

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

Assumption	August 31, 2023	+/- 10%
Yield per plant	63 - 99 grams of flower and 10 – 32 grams of trim per plant	\$660
FV less cost to sell	\$3.82 per gram of flower and \$0.20 per gram of trim	\$691
Estimated stage of growth	0% - 100% of Life Cycle per stage	\$660

## 7 Inventory

The Company's inventories are comprised of the following balances as at August 31, 2023, and November 30, 2022:

	August 31, 2023		November 30, 2022
Dry cannabis	\$		\$
Available for packaging		17,818	7,947
Packaged inventory		1,662	1,277
Trim		157	317
Concentrates		197	290
Packaging Materials		620	630
	\$	20,454	\$ 10,461

As at August 31, 2023, the Company had dry cannabis with a carrying value of \$17,818 (November 30, 2022: \$7,947) and harvested trim with a carrying value of \$157 (November 30, 2022: \$317).

The Company holds 5,450,444 grams of harvested cannabis (November 30, 2022: 3,301,033 grams), which is comprised of 4,664,386 grams of harvested flower and 786,058 grams of harvested trim (November 30, 2022: 2,053,394 grams of harvested flower and 1,247,639 grams of harvested trim).

During the period ended August 31, 2023, the Company recorded \$18,416 of production costs (August 31, 2022: \$8,629). Included in the production costs for the period ended August 31, 2023, was \$3,856 of amortization of property and equipment and right-of-use assets (August 31, 2022: \$1,570).

## 8 Intangible assets and goodwill

	Intangible asset	Goodwill
<b>Balance – November 30, 2021</b>	<b>3,202</b>	<b>182</b>
Addition from 3PL acquisition	2,337	5,842
Amortization	(1,670)	-
<b>Balance – November 30, 2022</b>	<b>3,869</b>	<b>6,024</b>
Amortization	(1,396)	-
<b>Balance August 31, 2023</b>	<b>2,473</b>	<b>6,024</b>

The Company's intangible assets and goodwill were acquired through the acquisition of ACC & 3PL during the years ended November 30, 2018, and 2022, respectively. The Company's intangible assets, licenses to sell cannabis, were considered definite lived. The useful lives of the licenses are 2.16 years and 6.08 years. The Company completes an annual assessment of the recoverable amount of the goodwill. The recoverable amount of the ACC CGU and 3PL CGU, to which goodwill are allocated, were determined based on the fair value less costs of disposal using Level 3 inputs in a discounted cash flow analysis.

## AVANT BRANDS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022

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

## 9 Property, plant and equipment

	Land	Buildings	Construction in-process	Growing and processing equipment	Right-of-use asset	Leasehold Improvements	Other	Total
Cost								
Balance - November 30, 2021	\$ 1,348	\$ 9,235	\$ 3,201	5,207	1,117	1,067	276	21,451
Additions – 3PL acquisition	-	-	-	3,340	2,872	6,700	11	12,923
Additions	-	5	1,169	84	-	165	21	1,444
Disposals	-	-	-	(91)	-	-	-	(91)
Balance - November 30, 2022	1,348	9,240	4,370	8,540	3,989	7,932	308	35,727
Additions – Flowr acquisition	-	-	-	2,755	3,031	5,330	-	11,116
Additions	-	18	2,637	207	4,550	45	10	7,467
Disposals	-	-	-	-	-	-	-	-
<b>Balance – August 31, 2023</b>	<b>1,348</b>	<b>9,258</b>	<b>7,007</b>	<b>11,502</b>	<b>11,570</b>	<b>13,307</b>	<b>318</b>	<b>54,310</b>
Accumulated amortization								
Balance - November 30, 2021	-	(1,440)	-	(1,408)	(611)	(705)	(218)	(4,382)
Additions	-	(486)	-	(724)	(512)	(938)	(34)	(2,694)
Disposals	-	-	-	-	-	-	-	-
Balance – November 30, 2022	-	(1,926)	-	(2,132)	(1,123)	(1,643)	(252)	(7,076)
Additions	-	(368)	-	(744)	(664)	(1,995)	(31)	(3,802)
Disposals	-	-	-	-	-	-	-	-
<b>Balance – August 31, 2023</b>	<b>-</b>	<b>(2,294)</b>	<b>-</b>	<b>(2,876)</b>	<b>(1,787)</b>	<b>(3,638)</b>	<b>(283)</b>	<b>(10,878)</b>
Net book value								
November 30, 2022	\$ 1,348	\$ 7,314	\$ 4,370	\$ 6,408	\$ 2,866	\$ 6,289	\$ 56	\$ 28,651
<b>August 31, 2023</b>	<b>\$ 1,348</b>	<b>\$ 6,964</b>	<b>\$ 7,007</b>	<b>\$ 8,626</b>	<b>\$ 9,783</b>	<b>\$ 9,669</b>	<b>\$ 35</b>	<b>\$ 43,432</b>

## AVANT BRANDS INC.

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## 10 Investment in associate and joint venture

### Investment in associate

	August 31, 2023		November 30, 2022
Opening balance	\$	-	\$ 3,951
Cash advanced under shareholder loan		-	802
Equity gain on investment		-	1,233
Fair value gain on acquisition of investment (Note 12)		-	1,115
Effective settlement of shareholder loan		-	(3,701)
Acquisition of investment (Note 12)		-	(3,400)
	\$	-	\$ -

During the year ended November 30, 2018, the Company acquired 49% of the issued and outstanding common shares of 3PL. The Company paid \$49 cash and issued 1,225,490 common shares of the Company pursuant to a series of agreements related to the acquisition of the Company's interest in 3PL (together, the "Purchase Agreement") with its one other shareholder. The other shareholder of 3PL committed to provide a maximum of up to \$9,000 in funding for 3PL through shareholder loans to finance the construction and equipping of the facility.

Pursuant to the Purchase Agreement, on April 23, 2019, the Company issued an additional 1,953,125 common shares to the other shareholder. The fair value of the common shares issued was determined to be \$1,250. In addition, the Company also has the option to purchase the remaining 51% interest from the other shareholder upon receipt of 3PL's sales license from Health Canada. On August 20, 2021, 3PL was issued standard cultivation, standard processing and medical sales licenses, in accordance with Health Canada's *Cannabis Act* and regulations ("CA&R"). On May 10, 2022, 3PL received a sales amendment license from Health Canada.

On June 1, 2022, the Company entered into an amended shareholders agreement to increase the Company's ownership stake from 49% to 50%. In addition to increasing the Company's ownership stake, the amended agreement also increased the Company's substantive rights over the 3PL entity while removing certain substantive rights from the current non-controlling interest shareholder. As such, under IFRS 3 "Business Combinations" guidance the Company acquired control over 3PL effective on June 1, 2022. As a result, 3PL was no longer accounted for as an investment in associate from June 1, 2022. A fair value gain on acquisition was recorded for \$1,115 as part of the step-acquisition for the original 49% ownership interest and acquired 1% ownership interest. Please refer to Note 12 for further information.

### Investment in joint venture

	August 31, 2023		November 30, 2022
Opening balance	\$	1,000	\$ -
Initial investment in joint venture		-	1,000
Cash advanced		1,845	-
Acquisition of control of joint venture (Note 11)		(2,845)	-
	\$	-	\$ 1,000

During the year ended November 30, 2022, the Company invested \$1,000 into a joint-venture and subscribed for 50% of the common shares of the Avant K1 joint-venture. During the period ended May 31, 2023, the Company increased the Company's substantive rights over the Avant K1 joint-venture and operations of the joint ventures acquisition (Note 11). As such, under IFRS 3 guidance the Company acquired control over the Avant K1 joint venture effective on February 2, 2023.

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## 11 Acquisitions

### Acquisition of 3PL

On June 1, 2022, the Company entered into an amended agreement to increase the Company's ownership stake in 3PL from 49% to 50%. In addition to increasing the Company's ownership stake, the amended agreement also increased the Company's substantive rights over the 3PL entity while removing certain substantive rights from the current non-controlling interest shareholder. As such, under IFRS 3 guidance the Company acquired control over 3PL effective on June 1, 2022.

The execution of the amended agreement constituted a step acquisition business combination under IFRS 3, Business Combinations. The acquisition date fair value of the equity interest held by the Company immediately before the acquisition date was \$3,400, resulting in a \$1,115 gain on remeasuring the equity interest on acquisition.

As of June 1, 2022, the Company recognized \$3,400 in non-controlling interest representing the 50% ownership stake, which was valued using the acquisition date fair value. The non-controlling interest has protective rights over the 3PL entity, but none which would significantly restrict the Company's ability to exert control over 3PL.

The Company has settled \$3,076 in pre-existing relationships it had with 3PL as of June 1, 2022. This balance includes settled amounts for accounts receivable, accounts payable and accrued liabilities, and a shareholder loan payable.

Management gathered the relevant information that existed at the acquisition date to determine the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price has been determined and allocated based on the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date.

<b>Consideration</b>		<b>Amount</b>
Acquisition-date fair value of initial 49% interest (Note 10)	\$	3,332
Fair value Consideration for 1% interest acquired		68
Non-controlling interest - fair value		3,400
Pre-existing relationships		3,076
<b>Total fair value of consideration</b>		<b>9,876</b>

<b>Net assets acquired</b>		<b>Amount</b>
Current assets		
Cash	\$	59
Accounts receivable		19
Prepaid expenses		221
Inventory		2,489
Biological assets		1,869
Non-current assets		
Intangible assets		2,337
Property, plant and equipment		12,923
<b>Total assets</b>		<b>19,917</b>
Current liabilities		
Accounts payable and accrued liabilities	\$	356
Lease liability		313
Non-current liabilities		
Lease liability		2,559
Deferred tax liability		741
Amount due to non-controlling interests		11,914
<b>Total liabilities</b>		<b>15,883</b>
<b>Total net assets acquired</b>		<b>4,034</b>

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<b>Purchase price allocation</b>		<b>Amount</b>
Net identifiable assets acquired	\$	4,034
Goodwill		5,842
<b>Total fair value of consideration</b>		<b>9,876</b>

<b>Net cash flows</b>		<b>Amount</b>
Cash consideration paid	\$	-
Cash acquired		59
<b>Total net cash flows</b>		<b>59</b>

Goodwill arising from the business combination represents expected synergies, future income and growth that are not separately recognized.

#### Acquisition of Flowr Okanagan (Provisional)

On February 2, 2023, the Company, through its controlled subsidiary Avant K1, entered into an agreement to acquire 100% of the outstanding shares of Flowr Okanagan. As such, under IFRS 3 guidance the Company acquired control over Flowr Okanagan effective on February 2, 2023.

The consideration paid at closing was \$5,330, which is comprised of \$1,653 cash, 7,402,186 common shares valued at \$1,480, and a financing liability settled of \$2,197.

Management is in the process of gathering the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed of Flowr Okanagan. As such, the initial purchase price was provisionally determined and allocated based on the Company's estimated fair value of the initial interest, identifiable assets acquired and the liabilities assumed on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to refine and finalize the purchase price allocation for the fair value of property, plant and equipment, accounts payable and accrued liabilities, lease liability and right of use asset, intangible assets, goodwill and deferred taxes.

<b>Consideration (provisional)</b>		<b>Amount</b>
Cash	\$	1,653
Share consideration		1,480
Financing liability settled		2,197
Non controlling interests – proportionate share of net identifiable assets		5,330
<b>Total fair value of consideration</b>		<b>10,660</b>

<b>Net assets acquired (provisional)</b>		<b>Amount</b>
Current assets		
Cash	\$	3
Accounts receivable		1,222
Prepaid expenses		857
Inventory		832
Biological assets		278
Non-current assets		
Property, plant and equipment		11,117
<b>Total assets</b>		<b>14,309</b>
Current liabilities		
Accounts payable and accrued liabilities	\$	618
Lease liability		-

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Non-current liabilities	
Lease liability	3,031
Deferred tax liability	-
<b>Total liabilities</b>	<b>3,649</b>
<b>Total net assets acquired</b>	<b>10,660</b>

<b>Purchase price allocation (provisional)</b>	<b>Amount</b>
Net identifiable assets acquired	\$ 10,660
<b>Total fair value of consideration</b>	<b>10,660</b>

<b>Net cash flows</b>	<b>Amount</b>
Cash consideration paid	\$ (1,653)
Cash acquired	3
<b>Total net cash flows</b>	<b>1,650</b>

Goodwill arising from the business combination represents expected synergies, future income and growth that are not separately recognized.

During the nine month period ended August 31, 2023, the Company's consolidated revenue included \$1,773 from Flowr Okanagan. In addition, for the period ended August 31, 2023, the Company's consolidated loss and comprehensive loss included net loss of \$176 respectively from Flowr Okanagan. If Flowr Okanagan was acquired on December 1, 2022, the Company's consolidated revenue would include \$2,279 from Flowr Okanagan and comprehensive loss would include net gain of \$466 respectively from Flowr Okanagan.

## 12 Partly-owned subsidiaries

### Proportion of equity interest held by non-controlling interests:

Subsidiaries	Geographical Region	Ownership percentage	Ownership percentage
		August 31, 2023	November 30, 2022
3PL	Vernon, British Columbia	100%	50%

On June 1, 2022, the Company entered into an amended agreement to increase the Company's ownership stake in 3PL from 49% to 50%. In addition to increasing the Company's ownership stake, the amended agreement also increased the Company's substantive rights over the 3PL entity while removing certain substantive rights from the current non-controlling interest shareholder. As such, under IFRS 3 guidance the Company acquired control over 3PL effective on June 1, 2022.

On February 1, 2023, the Company entered into a purchase agreement to acquire the remaining 50% non-controlling interests of 3PL, increasing its ownership interest to 100%. The consideration paid at closing is outlined in the schedule below.

<b>Consideration</b>	<b>Amount</b>
Cash	\$ 1,500
Convertible promissory note – liability component	8,980
Convertible promissory note – equity component	515
Share consideration	3,905
Share purchase warrants (Note 15)	341
Less: Financing liability settled	(11,989)
<b>Implied FV of 50% of equity</b>	<b>3,252</b>
<b>Less: Carrying value of non-controlling interest</b>	<b>(4,252)</b>
<b>Difference recognized in deficit</b>	<b>1,000</b>



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Subsidiaries	Geographical Region	Ownership percentage August 31, 2023	Ownership percentage November 30, 2022
Avant K1	Kelowna, British Columbia	100%	50%

During the period ended August 31, 2023 the Company increased the Company's substantive rights over the Avant K1 joint-venture and operations of the joint ventures acquisition (Note 11). Specifically, running the day-to-day operations of the Avant K1 entity and the TFGOK subsidiary. As such, under IFRS 3 guidance the Company acquired control over the Avant K1 joint venture effective on February 2, 2023.

On March 14, 2023, the Company entered into a purchase agreement to acquire the remaining 50% non-controlling interests of Avant K1, increasing its ownership interest to 100%. The consideration paid at closing is outlined in the schedule below.

Consideration	Amount
Share consideration	\$ 3,353
Promissory note	1,454
Less: Financing liability settled	(1,047)
<b>Implied FV of 50% of equity</b>	<b>3,760</b>
<b>Less: Carrying value of non-controlling interest</b>	<b>(5,437)</b>
<b>Difference recognized in deficit</b>	<b>1,677</b>

Promissory note shall bear interest at a rate of 12% per annum and mature and become due and payable on December 14, 2023.

### 13 Lease liabilities

The following is the continuity of lease liability for the period ended August 31, 2023:

<b>Balance – November 30, 2021</b>	<b>623</b>
Addition from 3PL acquisition	2,872
Lease payments	(696)
Interest expense on lease liability	212
<b>Balance – November 30, 2022</b>	<b>3,011</b>
Addition from Flowr Okanagan acquisition	3,031
Lease modification	4,518
Lease payments	(904)
Interest expense on lease liability	476
<b>Balance – August 31, 2023</b>	<b>10,132</b>
<b>Current portion</b>	<b>1,304</b>
<b>Long-term portion</b>	<b>8,828</b>

The Company recognized right-of-use assets and a corresponding lease liability upon the adoption of IFRS 16 related to its facility premises and corporate office. On December 14, 2022, the company entered into an agreement to amend its lease to extend the corporate office lease for a two-year period. Further, on June 2, 2023 the company entered into an agreement to extend the facility lease of 3PL for ten-year period. Amortization on the right-of-use asset is calculated over the term of the lease. Interest expense of \$168 (August 31, 2022: \$31) is included in financing costs and payments are applied against the lease liability.

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## 14 Convertible debentures

### *Accounting Policy, Estimates & Judgements.*

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including: contractual future cash flows, discount rates, credit spreads and volatility.

Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

### *Explanatory information*

The following is the continuity of convertible debentures, for the period ended August 31, 2023:

	<b>August 31, 2023</b>
Principal amount (Note 12)	9,500
Liability component amount, beginning of period	8,980
Principal and interest payments	(3,602)
Interest and accretion	689
Conversion costs and other	-
<b>Liability component carrying value, end of period</b>	<b>6,067</b>
Equity component amount, beginning of period	515
Principal and interest payments	-
Conversion costs and other	-
<b>Equity component carrying value, end of period</b>	<b>515</b>
<b>Liability component current portion</b>	<b>6,067</b>
<b>Liability component long-term portion</b>	<b>-</b>

On February 1, 2023, the Company issued convertible debentures to the non-controlling interests of 3PL for gross proceeds of \$9,500 under the following terms: (i) a maturity date of August 1, 2024; (ii) an interest rate of 10% per annum, payable quarterly; and (iii) convertible at \$0.50 per share.

## 15 Secured credit facility

On July 14, 2023, the Company completed the closing of a \$3,500 credit facility (the "Credit Facility", which was secured by the real estate of the Company's non-operational and non-licensed property, GreenTec BP ("GTBP"). The Credit Facility bears an annual interest rate of 15% with a 3-year amortization period commencing as the facility is drawn upon in \$500 tranches, with a condition that the Company completes a minimum draw-down of \$500 before July 31, 2023. Additionally, the Company shall pay a quarterly unused fee in the amount equal to an interest rate of 0.50% per quarter on the average daily unused portion of the Credit Facility. As at August 31, 2023, the Company has drawn \$2,000 of the Credit Facility.

In connection with the Credit Facility, the Company issued 1,750,000 stock purchase warrants to the lenders. Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of \$0.30. Warrants have the following vesting conditions: 1/7 of the warrants vest on each credit facility draw of \$500 and will expire on July 14, 2026.

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## 16 Share capital

The Company has an unlimited number of common shares without par value authorized for issuance. The Company also has an unlimited number of preference shares without par value authorized for issuance.

### (a) Issued shares

During the period ended August 31, 2023:

- The Company issued 2,409,298 common shares to service providers in connection with services received, resulting in a decrease to contributed surplus of \$182 and an increase in share capital of \$451.
- The Company issued 1,974,975 common shares in connection with employment compensation agreements, resulting in a decrease to contributed surplus of \$741 and an increase in share capital of \$571.
- The Company issued 22,249,734 common shares valued at \$3,906 in connection with the purchase of the non-controlling interests of 3PL. \$145 in transaction costs from the purchase were charged to equity.
- The Company issued 7,402,186 common shares valued at \$1,480 in connection with the acquisition of Flou Okanagan.
- The Company issued 18,137,780 common shares valued at \$3,353 in connection with the purchase of the non-controlling interests of Avant K1.

During the period ended August 31, 2022:

- The Company issued 1,000,000 common shares with a fair value of \$280 pursuant to an amending agreement with the vendors of Grey Bruce in connection with achieving certain milestones (Note 19).
- The Company issued 1,510,995 common shares in connection with employment compensation agreements, resulting in a decrease to contributed surplus of \$709 and an increase in share capital of \$425.
- The Company issued 3,008,807 common shares to service providers in connection with services received, resulting in a decrease to contributed surplus of \$22 and an increase in share capital of \$807.

### (b) Escrow shares

As at August 31, 2023, there were 1,085,713 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events.

### (c) Share purchase warrants

Warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price
Balance – November 30, 2021 and November 30, 2022	36,816,250	0.90
Granted	6,000,000	0.47
Balance – August 31, 2023	42,816,250	\$ 0.84

On February 1, 2023, the Company granted 5,000,000 share purchase warrants in connection with the purchase of 3PL's non-controlling interests. Fair value inputs to the warrants were an exercise price of \$0.50, measurement date share price of \$0.20, volatility of 110.1%, risk-free rate of 3.66%, barrier of 1.25 and an expiry date of February 1, 2025. In the event that the daily volume weighted average trading price of the Avant shares is at a price greater than or equal to, \$1.25 for a period of 20 consecutive trading days, Avant may accelerate the expiry date of the warrants. The fair value of the warrants was calculated using the barrier option pricing model.

The weighted average outstanding life of warrants outstanding as at August 31, 2023 is 0.72 years.

At August 31, 2023 the following share purchase warrants were outstanding:

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Number of share purchase warrants	Exercise price per share	Expiry date
6,772,500	\$ 0.30	March 8, 2024
1,293,750	\$ 0.80	March 30, 2024
28,750,000	\$ 1.04	March 30, 2024
5,000,000	\$ 0.50	February 1, 2025
1,000,000	\$ 0.30	July 14, 2026
<b>42,816,250</b>		

#### (d) Restricted Stock Units and Deferred Stock Units ("RSUs" and "DSUs")

RSUs and DSUs are granted to the Company's directors, officers, and employees as a part of compensation under the terms of the Company's deferred and restricted share unit plans. Each RSU and DSU entitles the participant to receive the value of one Common Share of the Company. The maximum number of awards of RSUs, DSUs and all other security-based compensation arrangements shall not exceed 10% of the Company's outstanding shares.

The number of RSUs and DSUs awarded and underlying vesting conditions are determined by the Board of Directors at its discretion. RSUs and DSUs are accounted for as equity-settled share-based payments and are valued using the share price of the Common Share on the grant date. Since the Company controls the settlement, the RSUs and DSUs are considered equity-settled.

RSU and DSU transactions are summarized as follows:

	Number of RSUs and DSUs	Weighted average issue price
Balance – November 30, 2021	-	\$ -
Granted	9,184,814	0.27
Vested and released	(4,093,766)	0.27
Forfeited	(74,076)	0.27
<b>Balance – November 30, 2022</b>	<b>5,016,972</b>	<b>\$ 0.27</b>
Granted	<b>3,546,090</b>	0.16
Vested and released	<b>(5,123,840)</b>	0.21
Forfeited	<b>(7,409)</b>	0.27
<b>Balance – August 31, 2023</b>	<b>3,431,813</b>	<b>\$ 0.24</b>

The weighted average outstanding life of RSUs and DSUs outstanding as at August 31, 2023 is 0.00 years. Share-based payments included \$461 of RSU and DSU expense. RSUs and DSUs generally vest in tranches across a twelve-month period.

At August 31, 2023, the following RSUs and DSUs were outstanding:

Number of RSUs and DSUs	Grant date
2,354,998	March 1, 2022
132,372	December 28, 2022
944,443	January 9, 2023
<b>3,431,813</b>	

## 17 Stock-based compensation

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

#### (a) Stock options

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants. Under the Plan, the Company may grant options that shall not exceed 10% of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time an option is granted. Options granted can have a term of up to

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ten years and an exercise price typically not less than the Company's closing stock price on the TSX on the last trading day before the date of grant. Vesting is determined at the discretion of the Board of Directors.

Stock option transactions are summarized as follows:

	Number of shares	Weighted average exercise price
<b>Balance – November 30, 2021</b>	<b>3,537,500</b>	<b>\$ 0.41</b>
Granted	5,095,000	0.27
Expired/cancelled	(1,285,000)	0.50
<b>Balance – November 30, 2022</b>	<b>7,347,500</b>	<b>\$ 0.30</b>
Granted	9,023,600	0.19
Expired/cancelled	(300,000)	0.58
<b>Balance –August 31, 2023</b>	<b>16,071,100</b>	<b>0.23</b>

The weighted average outstanding life of stock options outstanding as at August 31, 2023, is 1.95 years.

At August 31, 2023, the following stock options were outstanding:

Number of options	Options Vested	Exercise price per share	Expiry date
1,500,000	1,500,000	\$0.34	August 14, 2024
100,000	100,000	\$0.30	September 25, 2024
387,500	387,500	\$0.30	October 23, 2024
5,060,000	5,060,000	\$0.27	February 28, 2025
6,000,000	1,800,000	\$0.18	January 9, 2026
3,023,600	3,023,600	\$0.20	March 14, 2026
<b>16,071,100</b>	<b>11,871,100</b>	<b>\$0.23</b>	

#### (b) Share-based payments

During the period ended August 31, 2023, the Company recognized a share-based payment expense of \$1,380 (August 31, 2022: \$3,339) that was recorded in the condensed interim consolidated statements of comprehensive loss. The share-based payments represent the fair value of stock options vested during the period ended August 31, 2023, and are estimated on the grant date using the Black-Scholes option pricing model. The share-based payments also consist of common shares issued for services during the year. In addition, stock options granted to consultants for services to be provided over a period of time are recorded as prepaid expenses until the service period has lapsed.

## 18 Net Revenue

	August 31, 2023	August 31, 2022
Recreational revenue	\$13,233	\$ 9,361
Less: Provision for sales returns and allowances	(352)	-
Net recreational revenue	12,881	9,361
Bulk cannabis sales	8,357	2,434
Medical revenue	133	169
Management fees and other revenue	135	263
	<b>\$21,506</b>	<b>\$ 12,227</b>

The Company's recreational sales are subject to a variety of deductions in arriving at reported net recreational revenue. When the Company recognizes revenue from the sale of its products, an estimate of sales returns and allowances ("SRA") is recorded which reduces recreational revenue and accounts receivable. These adjustments include estimates for chargebacks,

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returns and other allowances. These provisions are estimated based on historical payment experience, historical relationship to revenues, and current contract sales terms with customers.

## 19 Related party transactions

### Key management compensation

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

Key management compensation for the periods ended August 31, 2023 and August 31, 2022 consists of the following:

	August 31, 2023		August 31, 2022
Salaries and wages	667	\$	551
Director fees	130		107
Share-based payments	1,164		1,081
	1,961	\$	1,739

### Related party balances

As at August 31, 2023, accounts payable included \$45 (November 30, 2022: \$nil), which was due to directors of the Company in connection with directors' fees.

### Related party transactions

During the year ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce, 1118157 B.C. Ltd., Zenalytic Laboratories Ltd. and GBP. Each one of these entities was under common control with two of the Company's executive officers. Certain milestones within these agreements remain outstanding and are disclosed under Note 21.

## 20 Financial instruments

### a) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, deposits, investment in associate, accounts payable and lease liabilities. The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

#### i) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable. At present, the Company holds its cash in Canadian Chartered Banks and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure the safety and liquidity of its cash. Over 66% of the Company's trade accounts receivable balance at August 31, 2023, is due from a governmental agency. Subsequent to quarter-end, the Company has collected on 54% of the receivable balance. The Company does not have a history of inability to collect on its trade accounts receivable, and all balances due at August 31, 2023, are considered collectible.

As at August 31, 2023, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

#### ii) Currency risk

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

#### iii) Liquidity risk

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

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

#### iv) Maturity risk

The Company's cash and cash equivalents balance at August 31, 2023, was \$1,698. At August 31, 2023, the Company had accounts receivable of \$5,334, accounts payable and accrued liabilities of \$9,096, current lease liabilities of \$1,304, long-term lease liabilities of \$8,828, a promissory note of \$1,168, current debenture payable of \$6,067, a non-current debenture payable of \$0, current secured credit facility of \$574, and a non-current secured credit facility of \$1,393. Promissory note, convertible debenture, accounts payable and accrued liabilities are current.

As at August 31, 2023, the Company did not have derivative financial liabilities with contractual maturities.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for a period of 90 days. To achieve this objective, the Company prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The following table summarizes the maturities of the Company's financial liabilities as at August 31, 2023, based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 5 years	>5 years
Accounts payable	9,096	9,096	9,096	-	-
Lease liabilities	10,132	10,132	1,171	2,687	6,274
Promissory note	1,168	1,168	1,168	-	-
Secured credit facility	1,967	1,967	574	1,393	-
Convertible debenture	6,067	6,333	6,333	-	-
	<b>28,430</b>	<b>28,696</b>	<b>18,342</b>	<b>4,080</b>	<b>6,274</b>

#### b) Interest rate risk

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

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

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

	Amortized cost	Fair Value through Profit or Loss	Total
	\$	\$	\$
<b>Assets</b>			
Cash	1,698	-	1,698
Accounts receivable	5,334	-	5,334
Marketable securities	-	19	19
<b>Liabilities</b>			
Accounts payable and accrued liabilities	9,096	-	9,096
Promissory note	1,168	-	1,168
Secured credit facility	1,967	-	1,967
Lease liabilities	10,132	-	10,132
Convertible debenture payable	6,067	-	6,067

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

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

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

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

At August 31, 2023, the Company had Level 1 financial instruments, consisting of cash and cash equivalents and marketable securities, with a fair value of \$1,717 (November 30, 2022: \$6,780). The Company has no level 3 financial instruments.

At August 31, 2023, the Company had Level 2 financial instruments, consisting of the convertible debenture payable (liability and equity components), with a fair value of \$6,067 and \$515 (November 30, 2022: \$nil). The fair value of the equity component was measured at fair value based on a barrier option pricing model. The primary inputs that drove the value were the strike price, volatility, discount rate (risk-free rate), and barrier.

## 21 Capital management

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

## 22 Commitments and contingencies

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. As of August 31, 2023, the Company has accrued a provision of \$100 related to certain legal proceedings for which the outcome is uncertain at this time.

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

### GBP

As at November 30, 2022, in connection with a previously completed asset acquisition, the Company has committed to issue common shares valued at \$2,500 contingent on future events as follows:

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

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

The vendors of GBP agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of GBP were reduced by \$5,750. In addition to reducing the



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milestone payments, the vendors of GBP agreed to restructure the remaining milestones, as shown in the above table and raise the floor price of the common shares to be issued in connection with the new milestones to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Company's common shares, and (B) \$1.00. Of the \$5,750 reduction to the Company's payment obligations, \$5,615 of the remaining milestone payments was waived by an executive officer of the Company.