TAAT GLOBAL ALTERNATIVES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

(Expressed in Canadian dollars)

BFBorgers CPA PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of TAAT Global Alternatives Inc.

Opinion
We have audited the consolidated financial statements of TAAT Global Alternatives Inc. (the "Company"), which comprise the consolidated statement of financial position as at October 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2022, and its financial performance and its cash flows for the years 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 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.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Company incurred significant operating losses since inception and has an accumulated deficit of $112,309,400 as at October 31, 2022. For the year ended October 31, 2022, the Company incurred a net loss of $24,633,336 and comprehensive loss of $25,191,301. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter
The financial statements of the Company for the year ended October 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2022.

Other Information
Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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 auditor's report is Ben Borgers.

B F Borgers CPA PC

March 23, 2023
Lakewood, Colorado, USA

TAAT Global Alternatives Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at,	**October 31, 2022 $**	October 31, 2021 $
ASSETS		
Current assets		
Cash	**676,813**	11,810,863
Receivables (Note 5)	**4,465,592**	1,970,613
Prepaids (Note 10)	**368,603**	466,689
Inventory (Note 9)	**5,100,092**	838,590
Loan receivable (Note 6)	**70,870**	12,384
	10,681,970	15,099,139
Non-current assets		
Property and equipment (Note 7)	**4,682,904**	4,894,471
Intangible assets (Notes 4 and 8)	**1,982,000**	-
Goodwill (Notes 4 and 8)	**493,778**	1,075,959
Loan receivable (Note 6)	**247,675**	-
Deposits (Note 10)	**497,355**	545,224
Total assets	**18,585,682**	21,614,793
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	**2,479,072**	2,200,100
Notes payable (Note 13)	**2,771,431**	-
Lease liabilities (Note 11)	**779,280**	660,719
	6,029,783	2,860,819
Non-current liability		
Notes payable (Note 13)	**133,384**	-
Lease liabilities (Note 11)	**3,625,964**	3,828,314
Total liabilities	**9,789,131**	6,689,133
Shareholders' equity		
Share capital (Note 14)	**88,487,379**	82,079,923
Obligation to issue shares (Note 14)	**-**	199,998
Reserves (Note 14)	**33,073,179**	20,218,444
Accumulated other comprehensive income (loss)	**(454,607)**	103,358
Deficit	**(112,309,400)**	(87,676,063)
	8,796,551	14,925,660
Total liabilities and shareholders' equity	**18,585,682**	21,614,793

Nature of operations (Note 1)
Subsequent events (Note 20)

Approved and authorized by the Board on March 23, 2023:

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

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

TAAT Global Alternatives Inc.
CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended	**October 31, 2022 $**	October 31, 2021 $
REVENUE		
Sales	**42,535,944**	**2,560,721**
Cost of goods sold	**(38,794,122)**	**(1,655,360)**
Gross profit	**3,741,822**	**905,361**
EXPENSES		
Accounting and legal	**708,306**	**711,208**
Accretion and interest expense (Notes 11 and 13)	**226,470**	**145,699**
Amortization (Notes 7 and 8)	**1,560,896**	**583,462**
Bad debt expense	**279,003**	**-**
Filing and regulatory	**135,245**	**112,674**
Foreign exchange (gain) loss	**(1,421,012)**	**278,621**
Management and consulting (Note 15)	**2,008,448**	**2,508,873**
Office, rent and administrative (Note 15)	**2,019,414**	**790,571**
Other operating costs	**94,396**	**-**
Investor relations and shareholder communication	**2,186,577**	**5,133,808**
Product marketing	**2,083,805**	**8,109,634**
Research and development (recoveries)	**238,269**	**505,961**
Share-based payments (Notes 14 and 15)	**7,272,791**	**12,267,111**
Share-based payments – RSU (Notes 14 and 15)	**6,542,286**	**924,816**
Travel	**246,987**	**337,488**
Transaction cost (Note 4)	**184,785**	**-**
Write-off of inventory (Note 9)	**679,315**	**85,003**
Write-off of property, plant and equipment	**79,436**	**-**
Salaries and wages	**2,737,317**	**1,774,202**
	(27,862,734)	**(34,269,131)**
Loss for the year	**(24,120,912)**	**(33,363,770)**
Other items		
Interest income	**-**	**671**
Other income	**156,731**	-
Gain on settlement of debt (Note 4)	**33,389**	-
Gain on lease forgiveness (Note 11)	**371,351**	-
Impairment (Note 8)	**(1,116,074)**	-
Gain on extinguishment of decommissioning provision (Note 12)	**79,000**	-
Loss on termination of lease (Note 11)	**(36,821)**	**-**
Total other income (loss)	**(512,424)**	**671**
Loss before income taxes	**(24,633,336)**	**(33,363,099)**
Income tax expense	**-**	**-**
Net loss	**(24,633,336)**	**(33,363,099)**
OTHER COMPREHENSIVE LOSS		
Item that may be reclassified subsequently to profit or loss		
Foreign exchange gain (loss) on translating foreign operations	**(557,965)**	**105,821**
Comprehensive loss for the year	**(25,191,301)**	**(33,257,278)**
Basic and diluted loss per common share	**(0.24)**	**(0.35)**
Weighted average number of common shares outstanding	**104,350,491**	**95,071,933**

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

TAAT Global Alternatives Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended,	**October 31, 2022 $**	October 31, 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(24,633,336)**	(33,363,099)
Non-cash items:		
Foreign exchange	**(1,620,612)**	119,777
Amortization	**1,560,896**	583,462
Impairment	**1,116,074**	-
Accretion and interest expense	**226,470**	136,467
Gain on settlement of debt	**33,389**	-
Gain on lease forgiveness	**371,351**	-
Gain on extinguishment of decommissioning liability	**79,000**	-
Loss on termination of lease	**(18,874)**	-
Share-based compensation	**7,272,791**	12,267,111
Share-based compensation – RSU	**6,542,286**	924,816
Non-cash transaction costs	**114,439**	-
Write-off of inventory	**679,315**	85,003
Write-off of property, plant and equipment	**79,436**	-
Changes in non-cash working capital items, net of amounts acquired due to ADCO:		
Receivables	**1,741,944**	(1,739,653)
Deposits and prepaid expenses	**365,342**	(461,948)
Inventory	**(2,087,068)**	(606,192)
Accounts payable and accrued liabilities	**(1,217,328)**	1,225,636
Net cash used in operating activities	**(9,394,485)**	(20,828,620)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to a third party	**-**	(12,384)
Cash acquired from ADCO (Note 4)	**118,343**	-
Cash paid for acquisitions (Note 4)	**(1,182,153)**	-
Cash paid for transaction costs on ADCO acquisition (Note 4)	**(36,957)**	-
Acquisition of TT Enterprises Inc.	**-**	(142,406)
Expenditures on property and equipment	**(640,335)**	(503,702)
Net cash used in investing activities	**(1,741,102)**	(658,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	**(530,197)**	(420,481)
Proceeds from notes payable, net of additions and repayments	**(566,734)**	-
Net proceeds from issuance of common shares	**-**	9,499,999
Proceeds from exercise of options	**1,237,637**	1,416,544
Proceeds from exercise of warrants	**-**	10,875,695
Net cash provided by financing activities	**140,706**	21,371,757
Change in cash during the year	**(10,994,881)**	(115,355)
Effect of change in foreign currency	**(139,169)**	(8,378)
Cash, beginning of the year	**11,810,863**	11,934,596
Cash, end of the year	**676,813**	11,810,863

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

TAAT Global Alternatives Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

Supplemental Cash Flow Disclosure		
Cash paid for interest	**95,788**	-
Cash paid for accretion of consideration payable	**-**	7,594
Cash paid for taxes	**15,828**	-
Non-cash Investing and Financing Activities		
Recognition of Right of Use Asset (Note 11)	**312,504**	4,579,665
Issuance of finder's shares (Note 14)	**199,998**	-
Shares issued for transaction costs (Notes 4 and 14)	**114,439**	-
Shares issued for acquisition (Notes 4 and 14)	**3,895,040**	-
Shares issued as finders fees	**-**	300,000
Conversion of RSU	**-**	320,000
Fair value of transfer on exercise of stock options and warrants (Note 14)	**960,343**	878,145

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

TAAT Global Alternatives Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars

	Share capital						
	Number	**Amount $**	**Obligation to Issue Shares $**	**Reserve $**	**Deficit $**	**Accumulated Other Comprehensive Income (Loss) $**	**Total $**
Balance, October 31, 2021	101,370,675	82,079,923	199,998	20,218,444	(87,676,064)	103,358	14,925,659
Net and comprehensive loss	-	-	-	-	(24,633,336)	(557,965)	(25,191,301)
Share issuance costs	66,666	199,998	(199,998)	-	-	-	-
Options exercised	1,190,547	2,197,979	-	(960,342)	-	-	1,237,637
Restricted share units granted	-	-	-	6,542,286	-	-	6,542,286
Shares issued for acquisitions	3,786,572	3,895,040	-	-	-	-	3,895,040
Transaction costs	112,195	114,439	-	-	-		114,439
Share-based compensation	-	-	-	7,272,791	-	-	7,272,791
Balance, October 31, 2022	**106,526,655**	**88,487,379**	**-**	**33,073,179**	**(112,309,400)**	**(454,607)**	**8,796,551**
Balance, October 31, 2020	86,212,272	59,289,537	-	8,224,662	(54,312,964)	(2,463)	13,198,772
Net and comprehensive loss	-	-	-	-	(33,363,099)	105,821	(33,257,278)
Options exercised	1,563,134	2,294,690	-	(878,145)	-	-	1,416,545
Private placement	3,333,333	9,999,999	-	-	-	-	9,999,999
Share issuance costs	100,000	(699,998)	199,998	-	-	-	(500,000)
Restricted share units granted	-	-	-	924,816	-	-	924,816
Conversion of RSU	100,000	320,000	-	(320,000)	-	-	-
Share-based compensation	-	-	-	12,267,111	-	-	12,267,111
Warrants exercised	10,061,936	10,875,695	-	-	-	-	10,875,695
Balance, October 31, 2021	101,370,675	82,079,923	199,998	20,218,444	(87,676,063)	103,358	14,925,660

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

1. NATURE OF OPERATIONS AND GOING CONCERN

TAAT Global Alternatives Inc. ("TAAT" or the "Company") was incorporated on June 5, 2006 in British Columbia under the Business Corporations Act. The Company develops, manufactures, and distributes alternative product categories such as tobacco, hemp and other emerging CPG segments. The Company is listed on the Canadian Stock Exchange ("CSE") under the symbol "TAAT" as well as OTCQB, under the symbol "TOBAF" and on the Frankfurt Stock Exchange under the symbol "2TP2".

On April 28, 2021, the Company changed its name to TAAT Global Alternatives Inc. from TAAT Lifestyle & Wellness Ltd.

The Company's 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") on a going concern basis 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 business focus. The Company has incurred losses since inception and to date has not generated significant revenues and positive cash flows from operations. During the year ended October 31, 2022, the Company incurred a net loss of $24,633,336 (October 31, 2021 - $33,363,099) and, as of that date, the Company's deficit is $112,309,400 (October 31, 2021 - $87,676,063). These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The continuance of the Company's operations is dependent on its ability to increase demand for its products and generate positive cash inflows. Should the Company not be considered a going concern certain assets and liabilities may require restatement on a liquidation basis. No adjustments have been made to the carrying value of assets and liabilities in these consolidated financial statements. These adjustments could be material.

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 23, 2023.

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

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

2. BASIS OF PREPARATION (cont'd)

Foreign currency transactions (cont'd)

For presentation purposes, all amounts for TAAT International LLC and ADCO Distributors Inc. 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 judgments where there is significant risk of material adjustments to assets and liabilities in future accounting periods are discussed below.

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 judgment. 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. The Company considers both external and internal sources of information in assessing whether there are any indications that CGUs are impaired, or reversal of impairment is needed. Factors considered include current and forecast economic conditions, internal projections and the Company's market capitalization relative to its net asset carrying amount.

For assets with indefinite lives, the Company determines the recoverable value of the CGU by assessing the higher of value in use and fair value less cost of disposal. The Company performed an impairment test as at October 31. The Company determined the recoverable amount of Goodwill by calculating its value in use using a five-year discounted cash flow ("DCF") model. The cash flows derived from the Company's five-year strategic plan are based on management's expectations of market growth, industry reports and trends, and past performances. These projections are inherently uncertain due to the evolving impact of the COVID-19 pandemic. The DCF model included projections surrounding revenue, cost of sales, expenses, discount rate, and growth rates.

Business combination versus asset acquisition

Judgment is required to determine if the Company's acquisitions represent a business combination or an asset purchase. The assessments require management to determine if the acquisitions acquired represented an integrated set of activities with inputs, processes and outputs. The acquisitions of ADCO Distributors Inc. was considered a business combination.

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.

2. BASIS OF PREPARATION (cont'd)

Significant Estimates, Judgments and Assumptions (cont'd)

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.

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 behavior. 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 judgment 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.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd)

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 subsidiaries:

	Ownership Interest	Jurisdiction
TT Enterprises Inc.	100%	Canada
TAAT International LLC	100%	United States
Beyond Alternatives LLC	100%	United States
ADCO Distributors Inc. ("ADCO")	100%	United States
ADS Inc. (Wholly Owned Subsidiary of ADCO)	100%	United States
Puffs Inc. (Wholly Owned Subsidiary of ADCO)	100%	United States
Jayvee's Brands LLC (formed subsequent to year-end) (Note 20)	100%	United States

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

COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's core operations during the year ended October 31, 2022.

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
Computers – 55% declining balance
Right of use asset – straight-line over term of lease

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 a definite life are recorded at cost less accumulated amortization and any impairment losses, and intangible assets with an indefinite life are tested for impairment annually. 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
Lease liability	Amortized Cost
Loans payable	Amortized Cost
Notes payable	Amortized Cost
Receivables	Amortized Cost
Deposits	Amortized Cost
Loan receivable	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 (cont'd)

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 Recognition

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 *Revenue from Contracts with Customers* 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 which usually occurs in delivery. 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)

Financial Instruments (cont'd)

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 and restricted share units

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.

The Restricted Share Unit ("RSU") plan allows Company employees, officers, directors and consultants (an "Eligible Person") to acquire shares of the Company. The fair value of the RSUs 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.

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 of option or RSU grants 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.

The fair value of the RSUs granted is measured using the fair value of the equity instruments at the grant date.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation and restricted share units (cont'd)

Where a grant of options or RSUs 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 and RSUs, the previously recognized amount is left in the reserves.

Leases

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.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment at least annually, on October 31, regardless of whether an indicator of impairment exists.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets (cont'd)

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its estimated recoverable amount. The Company derecognizes the carrying amount of assets on disposal or when no future economic benefits are expected from its use.

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. Impairment losses are recognized in net income or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. An impairment charge is reversed through net income or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized. An impairment loss for goodwill is not reversed.

New Accounting Standards

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

4. BUSINESS COMBINATION

ADCO Distributors, Inc.

On April 20, 2022, TAAT entered into a definitive securities exchange agreement (the "Definitive Agreement") with ADCO Distributors, Inc. and HLND Holdings, Inc. (together referred to as "ADCO" or the "Target"), and Hayford Cardinal Holdings, Inc., Red Carpet/Hobe Sound, Inc. and Barry Adelman (collectively, the "Vendors"), which were amended on April 27, 2022 and May 13, 2022 (the "Amending Agreements"). ADCO is the parent entity of a convenience and tobacco wholesaler based in the state of Ohio. Pursuant to the Definitive Agreement, TAAT acquired all of the issued and outstanding common stock of ADCO (the "Acquisition") which results in 100% ownership of ADCO to be held by TAAT.

On May 18, 2022, the Company acquired 100% of the issued and outstanding shares of ADCO. As consideration, the Company issued 3,786,572 common shares with a fair value of $3,895,040 (US$3,043,000) (the "Consideration Shares") and made a cash payment of $1,182,153 (US$911,000) for total consideration of $5,077,193 (US$3,954,000). 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 fair value of the shares was determined by considering the vesting dates of the tranche of shares, and applying a discount for lack of marketability ("DLOM") to reflect the share restrictions.

The Consideration Shares are subject to up to a 24-month lock-up. One-third (1/3) of the aggregate Consideration Shares will be released on the fourth (4th), eight (8th), and twelfth (12th) month from the Closing Date, respectively. In the event that either of the principals of ADCO resign from their current positions prior to March 31, 2023, any Consideration Shares that have not been released in accordance with the schedule set out above shall be subject to an extended lock-up expiring 24 months from closing.

In accordance with IFRS 3, the substance of a transaction constitutes a business combination as the business of ADCO 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.

In connection with the acquisition of ADCO, the Company issued 112,195 finder common shares with a fair value of $114,439 and paid cash of $36,957 to an arm's length party for total finders' fees of $184,785, which were expensed as transaction cost on the Statement of Loss and Comprehensive Loss in accordance with IFRS 3. The Company recorded a gain on settlement of debt of $33,389.

(Expressed in Canadian Dollars)

4. BUSINESS COMBINATIONS (cont'd)

ADCO Distributors, Inc. (cont'd)

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid during the year ended October 31, 2022	**$**
Fair value of shares issued	3,895,040
Cash paid	1,182,153
	5,077,193
Net assets acquired:	
Cash	118,343
Accounts receivable	4,236,924
Notes receivable (Note 6)	252,061
Prepaids and deposits	265,271
Inventory	2,853,749
Property and equipment (Note 7)	146,354
Accounts payable and accrued liabilities	(2,361,934)
Notes payable(Note 13)	(3,252,353)
Intangible assets – customer relationships (Note 8)	2,299,000
Goodwill (Note 8)	519,778
Total	**5,077,193**

The Company determined that ADCO's business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of an assembled workforce, cost synergies and future economic potential of ADCO.

During the period from May 18, 2022 to October 31, 2022, the Company recorded a net income of $2,503,730 in the consolidated statements of loss and comprehensive loss in connection with ADCO.

5. RECEIVABLES

	October 31, 2022	October 31, 2021
	$	$
Trade receivables, net of allowance	**4,146,133**	1,859,748
Sales tax receivable	**319,459**	110,865
Total	**4,465,592**	1,970,613

6. LOANS RECEIVABLE

	$
Balance, October 31, 2021	12,384
Loan receivables acquired (Note 4)	252,061
Additions	42,972
Interest accrued	3,995
Principal payments received	(5,460)
Foreign exchange	12,593
Balance, October 31, 2022	**318,545**
Current portion	70,870
Non-current portion	**247,675**

During the year ended October 31, 2021, the Company lent $12,384 (US$10,000) to a third party. The loan is non-interest bearing and payable on demand, the full balance was outstanding as at October 31, 2021 and October 31, 2022.

During the year ended October 31, 2022, the Company acquired loans receivable of $252,061 as a result of the acquisition of ADCO on May 18, 2022 (Note 4). The loans receivable accrues interest at 6% per annum. During the year ended October 31, 2022, the Company accrued interest of $3,962 (US$2,927) and received principal payments of $5,460 (US$4,000) for the loans receivable.

(Expressed in Canadian Dollars)

6. LOANS RECEIVABLES (cont'd)

During the year ended October 31, 2022, the Company lent $42,972 (US$31,484) to a third party with weekly payments beginning on October 20, 2022 of US$750 per week. The loans receivable accrues interest at 1% per annum and the remaining balance of the loan is due on June 1, 2023. During the year ended October 31, 2022, the Company accrued interest of $33 (US$24) for the loans receivable. Subsequent to the year end, the Company received aggregate principal repayments of the loans receivable of approximately US$8,150.

7. PROPERTY AND EQUIPMENT

	Furniture & equipment $	Computers $	Vehicles & machinery $	Building & land $	Right of use asset $	Total $
Cost:						
October 31, 2020	34,137	4,719	190,878	-	376,489	606,223
Additions	120,397	123,754	175,530	-	4,579,665	4,999,346
October 31, 2021	154,534	128,473	366,408	-	4,956,154	5,605,569
Additions	178,445	7,680	141,706	-	312,504	640,335
Transferred from business acquisition (Note 4)	-	14,622	18,356	113,376	-	146,354
Disposals and write-offs	-	-	(84,114)	-	-	(84,114)
Termination of lease	-	-	-	-	(376,488)	(376,488)
October 31, 2022	332,979	150,775	442,356	113,376	4,892,170	5,931,656
Amortization:						
October 31, 2020	(3,439)	(35)	(24,860)	-	(85,657)	(113,991)
Charge for the year	(29,928)	(70,096)	(99,445)	-	(383,993)	(583,462)
Cumulative translation adjustment	(2,982)	(1,743)	(12,814)	-	3,894	(13,645)
October 31, 2021	(36,349)	(71,874)	(137,119)	-	(465,756)	(711,098)
Charge for the period	(60,447)	(48,240)	(88,619)	(3,076)	(1,059,676)	(1,260,058)
Termination of lease	-	-	-	-	222,724	222,724
Cumulative translation adjustment	16,031	3,731	7,950	8,344	463,624	499,680
October 31, 2022	(80,765)	(116,383)	(217,788)	5,268	(839,084)	(1,248,752)
Net book value:						
October 31, 2021	118,185	56,599	229,289	-	4,490,398	4,894,471
October 31, 2022	252,214	34,392	224,568	118,644	4,053,086	4,682,904

The right of use assets relates to rental property leases entered into by the Company, with associated lease labilities (Note 11). During the year ended October 31, 2022, the Company terminated the Post Industrial lease and derecognized the right of use asset related to the lease (Note 11).

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL

During the years ended October 31, 2020, 2021 and 2022, pursuant to the business combinations (Note 4), the Company acquired intangible assets and goodwill as follows:

	Goodwill $	Intangibles – Customer Relationships $	Total $
Balance, October 31, 2020 and October 31, 2021	**1,075,959**	**-**	**1,075,959**
Acquired from business combinations (Note 4)	519,778	2,299,000	2,818,778
Amortization	-	(302,885)	(302,885)
Impairment	(1,101,959)	(14,115)	(1,116,074)
Balance, October 31, 2022	**493,778**	**1,982,000**	**2,475,778**

As at October 31, 2020 and 2021, the Company performed a recoverable value calculation for TrueToke and TAAT Intl. at the CGU level. As the fair value less costs to dispose of each CGU is not readily determinable, the Company estimated the value in use of the CGU to determine the recoverable value through a discounted cash flow analysis. The recoverable value of the TrueToke intangibles and goodwill were estimated to be $Nil and accordingly, the intangible assets and goodwill were impaired to $Nil. The recoverable value of goodwill related to TAAT Intl. was estimated to be higher than the carrying value: therefore, no impairment on goodwill was recognized. These cash flows are projected for a period of 5 years for TrueToke and 2 years for TAAT Intl. using a pre-tax discount rate of 30%. These projections carry a material degree of uncertainty in estimating the recoverable amounts. In making such assumptions, management has used its best estimate of future economic and market conditions. These valuations are categorized as Level 3 in the fair value hierarchy.

As at October 31, 2022, the Company performed a recoverable value calculation for TAAT Intl. and found that the recoverable value of goodwill related to TAAT Intl. was estimated to be lower than the carrying value: therefore, the goodwill was impaired to $Nil and an impairment expense of $1,075,959 was recorded.

On May 18, 2022, the Company acquired ADCO and recognized intangible assets of $2,299,000 and goodwill of $519,778 on the date of acquisition. The estimated useful life of the intangible assets is 3.5 years. During the year ended October 31, 2022, the Company recognized $302,885 as amortization of the intangible assets.

As at October 31, 2022, the Company performed a recoverable value calculation for ADCO and found that the recoverable value of intangible assets and goodwill was estimated to be lower than the carrying value: therefore, the goodwill was impaired to be $493,778 with an impairment expense of $26,000 recorded and the intangible assets were impaired to $1,982,000 with an impairment expense of $14,115 recorded.

9. INVENTORY

As at October 31, 2022 and October 31, 2021 inventory consists of the following:

	October 31, 2022 $	October 31, 2021 $
Smokable products and finished goods	**3,596,431**	-
Finished cannabis accessory products	**-**	19,330
Hemp	**657,263**	579,305
Packaging	**285,535**	239,955
Promotional products	**68,029**	-
Sundry, candy and grocery items	**492,834**	-
Total	**5,100,092**	838,590

During the year ended October 31, 2022, the Company wrote off inventories of $679,315 (Year ended October 31, 2021 - $85,003). During the year ended October 31, 2022 the Company recognized $38,069,148 (Year ended October 31, 2021 - $1,192,017) of sold inventory in cost of goods sold.

(Expressed in Canadian Dollars)

10. PREPAIDS AND DEPOSITS

As at October 31, 2022 and October 31, 2021, prepaids consist of the following:

	October 31, 2022 $	October 31, 2021 $
Marketing	**7,324**	387,855
Consulting	**16,700**	-
Materials purchases	**-**	34,106
Legal	**13,649**	-
General and administrative	**330,930**	44,728
Total	**368,603**	466,689

As at October 31, 2022, the Company has long-term security deposits in place related to rental property leases and furniture purchases of $497,355 (October 31, 2021 - $545,224).

11. LEASE LIABILITIES

Post Industrial Lease

During the year ended October 31, 2020, the Company recognized right of use asset of $376,489 (including transaction costs) and lease liability of $328,999. During the year ended October 31, 2022, the Company terminated the lease and recognized a loss on termination of lease of $36,821 and derecognized the right of use asset (Note 7) and the associated lease liability.

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 the lease liability for the year ended October 31, 2022 and year ended October 31, 2021:

	$
Balance, October 31, 2020	280,924
Lease additions	-
Lease payments	(155,564)
Interest expense on lease liabilities	19,243
Foreign exchange	9,463
Balance, October 31, 2021	154,066
Lease payments	(35,604)
Interest expense on lease liabilities	3,333
Foreign exchange	4,658
Termination of lease	(126,453)
Balance, October 31, 2022	-

Hughes Airport Center Lease

During the year ended October 31, 2021, the Company recognized right of use asset of $1,291,983 ($1,043,268 USD) and lease liability of $1,267,201 ($1,016,852 USD).

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.

(Expressed in Canadian Dollars)

11. LEASE LIABILITIES (cont'd)

Hughes Airport Center Lease (cont'd)

The following is a continuity schedule of the lease liability for the year ended October 31, 2022 and year ended October 31, 2021:

	$
Balance, October 31, 2020	-
Lease additions	1,267,201
Lease payments	(79,556)
Interest expense on lease liabilities	51,746
Foreign exchange	(7,656)
Balance, October 31, 2021	1,231,735
Lease payments	(354,748)
Interest expense on lease liabilities	112,378
Foreign exchange	136,590
Balance, October 31, 2022	**1,125,955**
Current portion	217,716
Non-current portion	**908,239**

Hughes Parkway Lease

During the year ended October 31, 2021, the Company recognized right of use asset of $3,287,682 ($2,654,782 USD) and lease liability of $3,228,443 ($2,606,947 USD).

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 8.5%, which is the rate determined per the lease agreement. Additionally, the base rent is abated (the "Abated Base Rent") for the fifth (5^{th}) calendar month of the lease term to the ninth (9^{th}) full calendar month (the "Abatement Period"). During the year ended October 31, 2022, the Company recorded a gain on the Abated Base Rent of $712,694 ($522,158 USD) which was offset by interest expenses abated on the lease of $341,343 ($279,191 USD) for a total gain on lease forgiveness of $371,351.

The following is a continuity schedule of the lease liability for the year ended October 31, 2022 and year ended October 31, 2021:

	$
Balance, October 31, 2020	-
Lease additions	3,228,443
Lease payments	(185,361)
Interest expense on lease liabilities	65,478
Foreign exchange	(5,328)
Balance, October 31, 2021	3,103,232
Lease abatement	(371,351)
Lease payments	(76,678)
Interest expense on lease liabilities	23,191
Foreign exchange	307,103
Balance, October 31, 2022	**2,985,497**
Current portion	482,987
Non-current portion	**2,502,510**

East Flamingo Road

During the year ended October 31, 2022, the Company recognized right of use asset of $30,969 ($24,016 USD) and lease liability of $27,672 ($21,460 USD).

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 5%, which is the interest rate per the lease agreement.

(Expressed in Canadian Dollars)

11. LEASE LIABILITIES (cont'd)

East Flamingo Road (cont'd)

The following is a continuity schedule of the lease liability for the year ended October 31, 2022:

	$
Balance, October 31, 2021	-
Lease additions	27,672
Lease payments	(21,537)
Interest expense on lease liabilities	671
Foreign exchange	1,349
Balance, October 31, 2022	**8,155**
Current portion	8,155
Non-current portion	**-**

Ohio Lease

During the year ended October 31, 2022, the Company recognized right of use asset of $281,535 ($223,355 USD) and lease liability of $281,535 ($223,355 USD).

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 12%, which is the interest rate per the lease agreement.

The following is a continuity schedule of the lease liability for the year ended October 31, 2022:

	$
Balance, October 31, 2021	-
Lease additions	281,535
Lease payments	(41,630)
Interest expense on lease liabilities	31,455
Foreign exchange	14,277
Balance, October 31, 2022	**285,637**
Current portion	70,422
Non-current portion	**215,215**

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	October 31, 2022 $	**October 31, 2021 $**
Accounts payable	**1,703,603**	963,379
Sales tax payable	**2,670**	2,764
Accruals	**772,799**	1,233,957
Total	**2,479,072**	2,200,100

Included in accounts payable and accruals are amounts totaling $379,303 (October 31, 2021 - $507,256) due to related parties (Note 15).

During the year ended October 31, 2022, the Company wrote-off $79,000 of accrued decommissioning liabilities from prior years.

(Expressed in Canadian Dollars)

13. NOTES PAYABLE

	$
Balance, October 31, 2021	-
Notes acquired from ADCO (Note 4)	3,252,353
Additions – third party notes payable	45,760
Additions – line of credit	11,442,816
Principal payments and interest – third party notes payable	(52,818)
Principal payments and interest – line of credit	(12,002,492)
Foreign exchange	219,196
Balance, October 31, 2022	**2,904,815**
Current portion	2,771,431
Non-current portion	**133,384**

During the year ended October 31, 2022, the Company acquired ADCO, resulting in a consolidation of ADCO's notes payables (Note 4) as at October 31, 2022. On the date of acquisition, the Company acquired $3,187,294 (US$2,479,687) of notes payable owed to the bank and $65,059 (US$53,313) owed to third parties. The bank notes have interest rates ranging from 5.4% to 5.5% and the third party notes have interest rates ranging from 2.9% to 6.84%. On acquisition, the notes payable had maturities ranging from May 13, 2023 to October 17, 2029. The bank line of credit is due on demand, and interest accrues at the Wall Street Prime Daily rate with a margin of 1.50%.

During the year ended October 31, 2022, the Company borrowed an additional $45,760 (US$34,762) from a third party with an interest rate of 8.29% per annum with a maturity date of September 27, 2026.

As at October 31, 2022, notes payable due the bank was $2,828,454 (US$2,072,280) including principal and accrued interest, and notes payable due to third parties was $76,361 (US$55,946) including principal and accrued interest. The bank notes payable had interest rates from 5.4% to 5.5% and third party notes payable had interest rates ranging from 2.9% to 8.29% as at October 31, 2022. The notes payable had maturities ranging from May 13, 2023 to October 17, 2029 as at October 31, 2022. The bank line of credit is due on demand, and interest accrues at the Wall Street Prime Daily rate with a margin of 1.50%.

14. 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, 2022

During the year ended October 31, 2022, the Company issued 1,190,547 common shares related to exercise of stock options for gross proceeds of $1,237,637. Upon exercise of the stock options, the Company transferred $960,343 from reserves to share capital.

On May 18, 2022, the Company issued 3,786,572 common shares with a fair value of $3,895,040 pursuant to the acquisition of ADCO (Note 4).

On June 8, 2022, the Company issued 112,195 common shares with a fair value of $114,439 and paid cash of $36,957 to an arm's length party in connection with the acquisition of ADCO for total finders' fees of $184,785, which was expensed as a transaction cost (Note 4). The Company recorded a gain on settlement of debt of $33,389.

As at October 31, 2022, 3,450,000 shares (October 31, 2021 – 6,900,000 shares) for the acquisition of TAAT Intl. (Note 4) remained in escrow.

Shares issued during the year ended October 31, 2021

On July 9, 2021, the Company issued 100,000 common shares with a fair value of $320,000 upon conversion of RSUs and transferred $320,000 from reserves.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (cont'd)

Issued share capital (cont'd)

Shares issued during the year ended October 31, 2021 (cont'd)

On October 13, 2021, the Company completed a private placement of 3,333,333 Units at a price of $3.00 per Unit (a "Unit") for gross proceeds of $9,999,999. Each Unit consists of one common share and one-quarter (1/4) of one transferable common share purchase warrant (each whole warrant being "Warrant"); each Warrant entitles the holder to acquire one additional common share of the Company at a price of $3.50 for a period of twenty-four (24) 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 $4.50 or greater for a period of ten (10) consecutive trading days at any time from closing date, by giving notice to holders thereof and, in such case, the Warrants will expire on the earlier of the thirtieth day after the date of such notice or the actual expiry date of the Warrants. 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.

Finder's fees of $500,000 cash and 100,000 common shares ("Finder's Shares") were paid in connection with the closing of the private placement. The Finder's Shares were issued on October 13, 2021, and have fair value of $300,000. Additionally, the Company is required to issue a further 66,666 Finder's Shares in connection with the private placement with a fair value of $199,998.

On November 1, 2021, the Company issued 66,666 finder's shares in connection with a prior year private placement with a fair value of $199,998 which was recorded in obligation to issue shares as at October 31, 2021.

During the year ended October 31, 2021, the Company issued 10,061,936 common shares related to exercise of warrants for gross proceeds of $10,875,695.

During the year ended October 31, 2021, the Company issued 1,563,134 common shares for gross proceeds of $1,416,545 related to exercise of stock options. Upon exercise of the stock options, the Company transferred $878,145 from reserves.

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, 2020	11,020,000	0.72	10,065,303(3)	1.08
Issued	6,305,000	2.88	833,333	3.50
Exercised (1) (2)	(1,563,134)	0.91	(10,061,936)	1.08
Expired	(240,200)	2.44	(3,367)	0.25
Balance, October 31, 2021	15,521,666	1.55	833,333	3.50
Exercised (1) (2)	(1,190,547)	1.04	-	-
Expired	(500,000)	1.00	-	-
Cancelled	(4,182,500)	2.65	-	-
Granted	6,857,500	0.85	-	-
Balance, October 31, 2022	16,506,119	1.03	833,333	3.50

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (cont'd)

Stock options and warrants (cont'd)

(1) Weighted average share price on date of option exercise was $3.11 (Year ended October 31, 2021: $3.67)
(2) Weighted average share price on date of warrant exercise was $Nil (Year ended October 31, 2021: $3.61)
(3) There is an adjustment of 3,572 warrants on the opening balance as at October 31, 2020.

As at October 31, 2022, stock options outstanding are as follows:

Expiry date	Number #	Exercise price $
August 14, 2024	750,000	1.00
June 16, 2025	4,513,619	0.25
September 17, 2025	1,985,000	1.19
December 2, 2024	400,000	2.93
December 30, 2025	225,000	2.36
April 15, 2023	1,000,000	2.98
April 15, 2026	775,000	2.98
June 20, 2027	6,857,500	0.85
	16,506,119	1.03

The weighted average price of options outstanding was $1.03 (October 31, 2021 - $1.55) and the weighted average life was 3.36 years (October 31, 2021 – 3.57 years). As of October 31, 2022, 14,943,619 options (October 31, 2021 – 13,946,668 options) were exercisable with weighted average exercise price $1.02 (October 31, 2021 - $1.48) and weighted average life of 3.29 years (October 31, 2021 – 3.72 years).

On August 14, 2020, the Company granted 1,250,000 stock options to a former Officer of the Company with an exercise price of $1.00 per option expiring August 14, 2024. The options vest over 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 $1,096,988 assuming an expected life of 4 years, a risk-free interest rate of 0.33%, an expected dividend rate of 0.00%, and an expected annual volatility of 212%. The share-based payment expense related to the fair value of the options granted was $381,122 during the year ended October 31, 2022 and $419,977 during the year ended October 31, 2021. The options are fully vested as at October 31, 2022. During the year ended October 31, 2022, 500,000 of the remaining options were expired without being exercised.

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. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

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 $164,310 assuming an expected life of 3.67 years, a risk-free interest rate of 0.29%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was $108,150 during the year ended October 31, 2021 and $56,160 during the year ended October 31, 2020. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On September 17, 2020, the Company granted 3,100,000 stock options to consultants of the Company with an exercise price of $1.19 per option expiring September 17, 2025. The options vest over several periods: 3,088,750 options vest immediately and 11,250 options vest on October 20, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $2,725,166 assuming an expected life of 5 years, a risk-free interest rate of 0.36%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was $8,094 during the year ended October 31, 2021 and $2,717,072 during the year ended October 31, 2020.

14. SHARE CAPITAL AND RESERVES (cont'd)

Stock options and warrants (cont'd)

On September 28, 2020, the Company granted 150,000 stock options to a consultant of the Company with an exercise price of $2.00 per option expiring September 28, 2022. The options vest over several periods: 100,000 options vest immediately and 50,000 vest on January 29, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $156,510 assuming an expected life of 2 years, a risk-free interest rate of 0.25%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was $39,229 during the year ended October 31, 2021 and $117,281 during the year ended October 31, 2020. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On October 21, 2020, the Company granted 77,500 stock options to a consultant of the Company with an exercise price of $2.75 per option expiring October 21, 2022. The options vest over several periods: 50% of the options vest immediately and 50% vest on October 21, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $108,408 assuming an expected life of 2 years, a risk-free interest rate of 0.23%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was $53,112 during the year ended October 31, 2021 and $55,296 during the year ended October 31, 2020. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On December 2, 2020, the Company granted 100,000 stock options to a consultant of the Company with an exercise price of $2.93 per option expiring December 2, 2022. The options vest over several periods: 50% of the options vest immediately and 50% vest on February 1, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $152,886 assuming an expected life of 2 years, a risk-free interest rate of 0.27%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was $152,886 during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On December 2, 2020, the Company granted 900,000 stock options to consultants and a former Officer of the Company with an exercise price of $2.93 per option expiring December 2, 2024. The options vest over several periods: 200,000 of the options vest immediately, 325,000 stock options vest on June 30, 2021, and 375,000 stock options vest on December 30, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $2,381,728 assuming an expected life of 4 years, a risk-free interest rate of 0.41%, an expected dividend rate of 0.00%, and an expected annual volatility of 166%. The share-based payment expense related to the fair value of the options granted was $689,180 during the year ended October 31, 2022 and $1,692,548 during the year ended October 31, 2021. The options are fully vested as at October 31, 2022. During the year ended October 31, 2022, 250,000 of the remaining options were cancelled without being exercised.

On December 30, 2020, the Company granted 955,000 stock options to consultants of the Company with an exercise price of $2.36 per option expiring December 30, 2025. The options vest immediately. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $1,665,870 assuming an expected life of 5 years, a risk-free interest rate of 0.41%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%. The share-based payment expense related to the fair value of the options granted was $1,665,870 during the year ended October 31, 2021. During the year ended October 31, 2022, 630,000 of the remaining options were cancelled without being exercised.

On April 15, 2021, the Company granted 3,000,000 stock options to consultants and employees of the Company with an exercise price of $2.98 per option expiring April 15, 2026. The options vest immediately. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $6,636,407 assuming an expected life of 5 years, a risk-free interest rate of 0.90%, 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 $6,636,407 during the year ended October 31, 2021. During the year ended October 31, 2022, 2,225,000 of the remaining options were cancelled without being exercised.

On April 15, 2021, the Company granted 1,000,000 stock options to a consultant with an exercise price of $2.98 per option expiring April 15, 2023. The options vest over several periods: 250,000 of the options vest on the earlier of the first distribution agreement made with a minimum of 100,000 Euros signed by the Company or six months from the grant date, 250,000 stock options vest six months from the initial vesting date, 250,000 options vest twelve months from the initial vesting date and 250,000 vest eighteen months from the initial vesting date. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $1,967,520 assuming an expected life of 1.52 years, a risk-free interest rate of 0.24%, an expected dividend rate of 0.00%, and an expected annual volatility of 168%. The share-based payment expense related to the fair value of the options granted was $1,214,503 during the year ended October 31, 2022 and $753,017 during the year ended October 31, 2021.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (cont'd)

Stock options and warrants (cont'd)

On July 8, 2021, the Company granted 100,000 stock options to a consultant of the Company with an exercise price of $3.03 per option expiring July 8, 2026. The options vest over 12 months. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $309,139 assuming an expected life of 5 years, a risk-free interest rate of 0.89%, an expected dividend rate of 0.00%, and an expected annual volatility of 159%. The share-based payment expense related to the fair value of the options granted was $137,392 during the year ended October 31, 2022 and $171,746 during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On July 14, 2021, the Company granted 250,000 stock options to a consultant of the Company with an exercise price of $3.05 per option expiring July 14, 2026. The options vest immediately. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $566,074 assuming an expected life of 5 years, a risk-free interest rate of 0.91%, 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 $566,074 during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining options were cancelled without being exercised.

On June 20, 2022, the Company granted 6,857,500 stock options to consultants, directors and officers. The options have an exercise price of $0.85 per option expiring June 20, 2027. 5,357,500 of the options vested immediately, and the remaining 1,500,000 options vest quarterly over a period of two years from issuance, starting on the 91st day of grant. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $5,441,514 assuming an expected life of 5 years, a risk-free interest rate of 3.35%, an expected dividend rate of 0.00%, and an expected annual volatility of 143%. The share-based payment expense related to the fair value of the options granted was $4,850,594 during the year ended October 31, 2022.

As at October 31, 2022, warrants outstanding are as follows:

Expiry date	Number #	Exercise price $
October 13, 2023	833,333	3.50
	833,333	3.50

The weighted average price of warrants outstanding was $3.50 (October 31, 2021 - $3.50) and the weighted average life was 0.95 (October 31, 2021 - 1.95 years).

Reserves

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.

Restricted Share Units

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

On December 16, 2020, the Company granted 250,000 RSUs to a former Officer of the Company. 125,000 RSUs vest on August 31, 2021 and 125,000 RSUs vest on August 31, 2022. The RSUs expire five years from the vesting date. The Company recognized $195,185 share-based payments during the year ended October 31, 2022 and $604,816 as share-based payments for the RSUs during the year ended October 31, 2021. During the year ended October 31, 2022, all of the remaining RSUs were cancelled without being converted.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL AND RESERVES (cont'd)

Restricted Share Units (cont'd)

On December 16, 2020, the Company granted 200,000 RSUs to an employee of the Company. 100,000 RSUs vest on November 30, 2021 ("First Year RSUs") and 100,000 RSUs vest on November 30, 2022 ("Second Year RSUs"). The RSUs expire five years from the vesting date. On July 8, 2021, the Company and the employee entered into a departure agreement. As a result of the departure agreement, the First Year RSUs were forfeited on July 8, 2021 and the Second Year RSUs became fully vested. Further, on July 9, 2021, the employee converted the Second Year RSUs to 100,000 common shares of the Company, with a fair value of $320,000 and transferred $320,000 from reserves. During the year ended October 31, 2021, the Company recognized $320,000 as share-based payments for the RSUs.

On December 13, 2021, the Company granted 2,000,000 RSUs to a former Officer of the Company. 1,000,000 RSUs vested immediately 2021 and 1,000,000 RSUs vest on July 19, 2022. The RSUs expire five years from the grant date. The Company recognized $5,960,000 share-based payments during the year ended October 31, 2022. The RSUs are fully vested as at October 31, 2022.

On June 20, 2022, the Company granted 1,000,000 RSUs to an Officer of the Company, which will vest quarterly over a period of two years from issuance, starting on the 91st day of grant and shall entitle the Officer the ability to acquire one share of the Company per RSU. The RSUs were priced at $0.88 based on the closing price of the shares on grant date and expire five years from the vesting date. The Company recognized $387,101 share-based payments during the year ended October 31, 2022.

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

	Number of Restricted Share Units
Balance, October 31, 2020	-
Issued	450,000
Converted	(100,000)
Cancelled/forfeited	(100,000)
Balance, October 31, 2021	250,000
Issued	3,000,000
Cancelled/forfeited	(250,000)
Balance, October 31, 2022	3,000,000

As at October 31, 2022, Restricted Share Units are outstanding are as follows:

Expiry date	Number Issued #	Issued and exercisable #
December 13, 2026	2,000,000	2,000,000
June 20, 2027	1,000,000	125,000
	3,000,000	2,125,000

(Expressed in Canadian Dollars)

15. 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, 2022 $	October 31, 2021 $
Salaries – Former CEO and former CRO	148,125	365,000
Directors fees	15,000	-
Management fees – former CFO	-	82,500
Management fees – CFO	-	247,500
Share-based payments to the CEO	1,554,214	-
Share-based payments to Directors	229,887	55,303
Share-based payments to the former CEO	6,341,122	419,977
Share-based payments to the former CRO	654,638	1,304,313
	8,942,986	2,474,593

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

	October 31, 2022 $	October 31, 2021 $
Office expenses to a company controlled by the CFO	36,000	36,000
Consulting fees to a company controlled by a director	-	105,825
Consulting fees to a company controlled by the CEO	186,241	-
Consulting fees to a company controlled by the CFO	90,000	75,000
	312,241	216,825

Outstanding Balances

As at October 31, 2022, $379,303 (October 31, 2021 - $507,256) is due to related parties. All balances are unsecured, non-interest bearing and are due on demand.

16. FINANCIAL INSTRUMENTS

Financial Instruments

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

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

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

Financial Instrument	Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized Cost
Loans payable	Amortized Cost
Notes payable	Amortized Cost
Lease liability	Amortized Cost
Receivables	Amortized Cost
Deposits	Amortized Cost
Loan receivable	Amortized Cost

16. FINANCIAL INSTRUMENTS (cont'd)

Financial Instruments (cont'd)

The Company's receivables, prepaids, loan receivable, accounts payable and accrued liabilities approximates fair value due to their short term nature. The lease liability is classified as level 3 in the fair value hierarchy.

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

Liquidity risk

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

As at October 31, 2022, the Company had a cash balance of $676,813 (October 31, 2021 - $11,810,863) to settle current liabilities of $6,029,783 (October 31, 2021 - $2,860,819) which are due within 12 months of October 31, 2022. The Company may need additional capital in the future to support its business model.

As at October 31, 2022, the Company has an undiscounted cash flow obligation of $1,275,945, $1,300,363, $1,336,645 and $1,636,612 related to lease liabilities due in fiscal 2023, 2024, 2025, and fiscal years beyond 2025 respectively (Note 11).

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of the commodity tax receivable and loan receivable. The Company has been successful in recovering receivables and believes credit risk with respect to receivables to be insignificant. As at October 31, 2022, trade receivables of $1,154,252 (October 31, 2021 - $1,733,899) were due from one customer. During the year ended October 31, 2022, 33% of sales were to two customers (year ended October 31, 2021, 69% of sales were to one customer) in TAAT International LLC. No significant percentage of sales were to a single customer in ADCO.

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, 2022 and October 31, 2021, 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 and 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.

17. CONTINGENCY

During the year ended October 31, 2020, the Company received a notice of a claim filed against the Company by a former consultant for breach of contract. The plaintiff is seeking damages in a combination of cash and common shares of the Company. 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.

(Expressed in Canadian Dollars)

17. CONTINGENCY (cont'd)

During the year ended October 31, 2022, the Company's wholly owned subsidiary, TAAT International LLC, initiated arbitration with a former marketing partner. TAAT International LLC claims a breach of sponsorship agreement by the former marketing partner, and is seeking declaratory relief of the breach of covenant to rescission and or refund of the fund provided to the former marketing partner under the sponsorship agreement. The current status of the litigation is it is in arbitration with the authority of Colorado. The former marketing partner has filed a counter claim stating benefit was received during the contract, which TAAT International LLC refutes. Subsequent to the arbitration process, TAAT International LLC filed for bankruptcy (Note 20). The Company 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 two reportable segments, being the sale of non-tobacco and tobacco products. The Company determined its reportable segments based on the relevant financial information provided to and reviewed by the Company's chief operating decision maker. Only revenues and expenses, and inventories related to the sale non-tobacco and tobacco products are reviewed by the chief operating decision maker to make decisions about the allocation of resources to, or the assessment of performance of the operating segments. Thus, only revenues, cost of sales and inventories are considered integral to decisions made for the business of the Company.

Selected segmented financial information is as follows:

Year ended October 31, 2022	Non-tobacco products	Tobacco products	Total
Revenues	4,654,362	37,881,582	42,535,944
Cost of sales	(3,693,296)	(35,100,826)	(38,794,122)
Gross profits	961,066	2,780,756	3,741,822
Inventories	2,205,190	2,894,902	5,100,092

Year ended October 31, 2021	Non-tobacco products	Tobacco products	Total
Revenues	2,560,721	-	2,560,721
Cost of sales	(1,655,360)	-	(1,655,360)
Gross profits	905,361	-	905,361
Inventories	838,590	-	838,590

(Expressed in Canadian Dollars)

19. DEFERRED INCOME TAX

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

	2022 $	2021 $
Loss for the year before income tax	(25,191,301)	(33,363,099)
Statutory income tax rate	27%	27%
Expected income tax recovery	(6,801,000)	(9,008,037)
Differences between Canadian and foreign tax rates	(150,000)	339,365
Foreign exchange	656,000	-
Items not deductible for tax purposes	4,163,000	3,584,745
Origination and reversal of temporary differences	-	(90,867)
Other differences	13,000	(37,566)
Unused tax losses and offset not recognized	2,119,000	5,212,360
Total income tax recovery	-	-

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

	2022 $	2021 $	Expiry Dates
Share issuance costs	114,000	703,000	2022-2026
Non-capital losses	12,106,000	32,717,000	2026-2041
Canadian eligible capital	-	1,000	No expiry date
Marketable securities	-	280,000	No expiry date
Lease liability	(973,000)	4,489,000	No expiry date
Exploration and evaluation assets	1,198,000	79,000	No expiry date
Property and equipment assets	(119,000)	4,631,000	No expiry date
Asset retirement obligation	-	79,000	No expiry date
Investment tax credits	-	6,000	2030
Other	1,010,000	-	No expiry date
Capital losses	3,498,000	25,909,000	No expiry date
	16,834,000	68,894,000	

20. SUBSEQUENT EVENTS

Subsequent to year-end, the Company formed a new wholly owned subsidiary, Jayvee's Brands LLC.

On November 4, 2022, the Company issued 175,000 common shares with a fair value of $75,740 and $75,000 in cash payments to settle debt with a former related party of $105,000.

On November 18, 2022, the Company granted 250,000 stock options to a consultant of the Company with an exercise price of $0.57 per option expiring November 18, 2027. The options vest 100% two years from the date of grant.

On December 14, 2022 and amended on March 1, 2023, the Company entered into an asset purchase agreement with Boksburg Ventures Inc. ("Boksburg"), where the Company will acquire assets related to the Boksburg's Break Free™ mobile application and $3,600,000 working capital (the "Boksburg Acquisition) from Boksburg (the "Boksburg Transaction") and as consideration for the Boksburg Acquisition, the Company will issue an aggregate of 17,000,000 common shares (the "Boksburg Consideration Shares") with a portion of which is allocated to the $3,600,000 working capital purchased.

20. SUBSEQUENT EVENTS (cont'd)

The Boksburg Consideration Shares are comprised of:

1. Cash Value Consideration Shares – Of the Boksburg Consideration Shares, the number of Cash Value Consideration Shares will be equal to the quotient resulting from dividing the dividend ($3.6million) by the divisor, being the greater of (a) $0.05 and (b) the closing market price of the Company's shares on the exchange on the trading day prior to the dissemination of a news release disclosing the closing of the Boksburg Transaction. The Cash Value Consideration Shares are subject to a four (4) month and one (1) day hold period;
2. Milestone Consideration Shares – The Boksburg Consideration Shares shall equal to the Boksburg Consideration Shares less the Cash Value Consideration Shares. The Milestone Consideration Shares are subject to escrow as follows:
    a. 1/3 of Milestone Consideration Shares (Milestone 1): The later of (i) 6 months from the closing date of the Boksburg Transaction and (ii) the launch of the BreakFree mobile application of a minimum of 1,000 downloads on Apple or Google App stores. If Milestone 1 is not achieved within 36 months from closing, the shares allocated will be returned to the Company's treasury for cancellation;
    b. 1/3 of Milestone Consideration Shares (Milestone 2): The later of (i) 6 months from the closing date of the Boksburg Transaction and (ii) the receipt of a minimum of 1 out of 3 US patents surrounding the intellectual property. If Milestone 2 is not achieved within 36 months from closing, the shares allocated will be returned to the Company's treasury for cancellation; and
    c. 1/3 of Milestone Consideration Shares (Milestone 3): The later of (i) 6 months from the closing date of the Boksburg Transaction and (ii) the achievement of a minimum of CAD $600,000 in revenue directly from the app. If Milestone 3 is not achieved within 24 months from closing, then the shares allocated will be returned to the Company's treasury for cancellation.
3. The sum of the Cash Value Consideration Shares and Milestone Consideration Shares shall equal 17,000,000 of the Company's common shares.

On February 18, 2023, the Company's wholly owned subsidiary TAAT International filed a voluntary petition for non-individuals filing for bankruptcy with the District of Nevada under the Chapter 11 Bankruptcy Code. An estimate of the financial impact cannot be made at this time.

On March 3, 2023, the Company entered into a promissory note with Boksburg of $200,000 with a maturity date of one year. The loan accrues interest at 5% per annum.

Subsequent to the year-end, 2,000,000 RSUs with a fair value of $5,960,000 were converted into 2,000,000 common shares of the Company.