

LIQUID MEDIA GROUP

LIQUID MEDIA GROUP LTD.

Consolidated Financial Statements

For the years ended November 30, 2020, 2019, and 2018
(Expressed in Canadian Dollars)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Liquid Media Group Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Liquid Media Group Ltd. (the “Company”), as of November 30, 2020 and 2019, and the related consolidated statements of loss, comprehensive loss, cash flows, and changes in shareholders’ equity for the years ended November 30, 2020, 2019, and 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2020 and 2019, and the results of its operations and its cash flows for the years ended November 30, 2020, 2019, and 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has generated losses since inception and has an accumulated deficit of \$24,672,794, that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2019.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Professional Accountants

March 1, 2021



Liquid Media Group Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	November 30, 2020 \$	November 30, 2019 \$
ASSETS			
Current assets			
Cash		704,977	4,587,405
Restricted cash	4	-	672,663
Receivables	6	238,059	698,361
Prepays	7	527,594	296,352
Loans receivable	8	-	94,882
		1,470,630	6,349,663
Loans receivable	8	110,102	233,837
Licenses	9	914,760	1,840,836
Investment in equity instruments	11	3,845,598	1,551,324
Equipment	12	140,353	123,305
Intangible assets	13	5,564,426	1,707,959
Goodwill	14	-	3,582,548
		12,045,869	15,389,472
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	15	1,284,452	4,367,381
Loans payable	16,21	639,293	1,437,933
Convertible debentures	17,21	531,519	-
Current portion of long-term debt	18	8,991	-
		2,464,255	5,805,314
Convertible debentures	17,21	-	1,388,402
Long-term debt	18	42,945	-
Deferred income taxes	27	-	23,163
Derivative liability	19	-	1,102,277
		2,507,200	8,319,156
SHAREHOLDERS' EQUITY			
Share capital	19	29,999,645	21,118,940
Commitment to issue shares	19	574,457	137,197
Reserves	19	3,633,057	2,166,098
Accumulated other comprehensive income		4,304	303,465
Accumulated deficit		(24,672,794)	(18,441,785)
Equity attributable to shareholders of the company		9,538,669	5,283,915
Non-controlling interest	22	-	1,786,401
		9,538,669	7,070,316
		12,045,869	15,389,472

Nature and continuance of operations (Note 1)

Contingencies (Note 26)

Subsequent events (Note 29)

Approved on behalf of the Board of Directors on February 28, 2021:

"Joshua Jackson"
Director

"Stephen Jackson"
Director

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

Liquid Media Group Ltd.
Consolidated Statements of Loss
(Expressed in Canadian Dollars)

		Year ended November 30,		
	Note	2020	2019	2018
		\$	\$	\$
Sales		47,317	27,109	-
Cost of sales	9	763,184	1,837,555	603,718
Gross profit (loss)		(715,867)	(1,810,446)	(603,718)
Operating expenses				
Accretion expense	17	67,175	211,155	-
Amortization	13	101,350	100,202	17,722
Bad debts		-	-	10,020
Consulting fees		993,215	775,916	344,003
Depreciation	12	37,417	1,553	-
Foreign exchange loss		40,691	16,833	65,612
Insurance		80,900	58,452	17,568
Interest expense	16,17,21	157,367	178,767	133,915
Investor relations, filing, and compliance fees		284,225	268,679	126,344
Management and directors salaries and fees	21	635,583	578,650	407,526
Marketing		2,102,152	1,166,286	-
Other general and administrative expenses		78,416	49,808	11,327
Professional fees		588,039	891,673	519,076
Research and development		430,632	-	-
Share-based compensation	19,21	1,917,172	1,173,512	111,135
Travel		30,288	30,036	12,558
		7,544,622	5,501,522	1,776,806
		(8,260,489)	(7,311,968)	(2,380,524)
Interest income	8	67,922	68,867	53,548
Share of profit (loss) of equity investment	10	-	195,726	(119,654)
Write-off of associate	10	-	-	(310,484)
Write-off of investment in films		-	-	(12,447)
Write-off of licenses	9	(330,276)	(717,125)	-
Listing expense	3	-	-	(4,130,557)
Project investigation	3	-	(192,601)	(359,590)
Derivative liability - warrants		-	-	(1,557,086)
Gain (loss) on derivative liability	19	1,102,277	(449,519)	1,030,328
Gain (loss) on settlement of debt	15,16	39,032	(98,487)	209,670
Unrealized gains on equity instruments	11	2,383,004	953,961	-
Allowance for credit loss	8	(184,881)	(145,431)	-
		3,077,078	(384,609)	(5,196,272)
Loss before income taxes		(5,183,411)	(7,696,577)	(7,576,796)
Deferred income tax recovery	17	-	(160,917)	-
Loss attributable to Liquid Media Group from continuing operations		(5,183,411)	(7,535,660)	(7,576,796)
Profit (loss) from discontinued operations	20	(2,813,889)	(89,656)	76,563
Loss for the year		(7,997,300)	(7,625,316)	(7,500,233)

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

Liquid Media Group Ltd.
Consolidated Statements of Loss
(Expressed in Canadian Dollars)

		Year ended November 30,		
	Note	2020	2019	2018
		\$	\$	\$
Loss attributable to:				
Shareholders of the Company		(6,231,009)	(7,581,384)	(7,537,749)
Non-controlling interest from discontinued operations	22	(1,766,291)	(43,932)	37,516
Loss for the year		(7,997,300)	(7,625,316)	(7,500,233)

Loss per common share (Note 19)

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

Liquid Media Group Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		Year ended November 30,		
	Note	2020	2019	2018
		\$	\$	\$
Loss for the year		(7,997,300)	(7,625,316)	(7,500,233)
Other comprehensive income				
Foreign currency translation adjustment		(319,271)	12,775	398,892
Comprehensive loss for the year		(8,316,571)	(7,612,541)	(7,101,341)
Comprehensive loss attributable to:				
Shareholders of the company		(6,530,170)	(7,560,001)	(7,255,667)
Non-controlling interest	22	(1,786,401)	(52,540)	154,326
Comprehensive loss for the year		(8,316,571)	(7,612,541)	(7,101,341)

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

Liquid Media Group Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended November 30,		
	2020	2019	2018
	\$	\$	\$
Cash flows provided by (used in) operating activities			
Loss from continuing operations for the year	(5,183,411)	(7,535,660)	(7,576,796)
Operating expenses of discontinued operations	38,635	113,876	119,667
Items not affecting cash:			
Accretion expense	67,175	211,155	-
Accrued interest income	(61,562)	(60,662)	(49,404)
Accrued interest expense	128,171	162,152	126,360
Allowance for credit loss	184,881	145,431	-
Amortization - intangibles	101,350	100,202	17,722
Amortization - licenses	596,882	1,819,596	603,718
Depreciation	37,417	1,553	-
Bad debts	-	-	10,020
Change in value of derivatives	(1,102,277)	449,519	526,758
Commitment to issue shares	-	33,058	-
Deferred income tax recovery	-	(160,917)	-
(Gain) loss on settlement of debt	(39,032)	98,487	(172,816)
Non-cash listing expense	-	-	4,130,557
Share of (profit) loss on equity investment	-	(195,726)	119,654
Share-based compensation	1,917,172	1,173,512	111,135
Shares issued for services	243,326	73,980	-
Unrealized foreign exchange	11,659	(45,276)	(85,083)
Unrealized gains on equity instruments	(2,383,004)	(953,961)	-
Write-off of intangible assets	-	-	116,352
Write-off of investments in associates	-	-	310,484
Write-off of investments in film	-	-	12,447
Write-off of license fees	330,276	717,125	-
Changes in non-cash working capital:			
Receivables	(200,909)	(654,532)	51,889
Prepays	(231,242)	(204,840)	172,815
Accounts payable and accrued liabilities	(593,903)	685,294	1,780,777
	(6,138,396)	(4,026,634)	326,256
Cash flows used in investing activities			
Cash acquired from reverse acquisition	-	-	579,279
Cash received prior to reverse acquisition	-	-	124,561
Payment for consideration of Majesco	-	-	(196,505)
Cash disposed on sale of Majesco	(103,794)	-	-
Acquisition of equipment	(56,436)	-	-
Investment in associate	-	-	(2,339)
Investment in intangibles	(4,464,885)	-	(79,808)
Loan receivable received	83,231	10,000	-
Interest received on loans	12,067	7,807	-
Restricted cash from reverse acquisition	-	-	(574,510)
Restricted cash received	679,021	574,510	-
Purchase of restricted deposit certificate	(6,358)	(672,663)	-
Investing expenses of discontinued operations	-	(133,356)	11,060
	(3,857,154)	(213,702)	(138,262)

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

Liquid Media Group Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		Year ended November 30,	
	2020	2019	2018
	\$	\$	\$
Cash flows provided by financing activities			
Loan proceeds	1,535	812,933	167,500
Loan repayments	(775,175)	(137,000)	(27,500)
Loan proceeds from related parties	-	-	37,582
Loan repayments to related parties	-	(172,203)	(50,500)
Long-term debt proceeds	51,936	-	-
Interest paid on loans	(463,272)	(23,260)	-
Convertible debentures received	-	3,502,793	-
Shares issued for cash	5,353,203	-	4,157,760
Share issuance costs	(837,456)	-	(446,571)
Commitment to issue shares	574,457	104,139	-
Warrants exercised and issued for cash	2,018,512	368,617	156,615
Options exercised and issued for cash	196,427	-	-
	6,120,167	4,456,019	3,994,886
Effect of foreign exchange on cash	(7,045)	44,391	90,144
Change in cash during the year	(3,882,428)	260,074	4,273,024
Cash, beginning of year	4,587,405	4,327,331	54,307
Cash, end of year	704,977	4,587,405	4,327,331
Supplemental cash-flow disclosure			
Interest received	12,067	7,807	3,963
Interest paid	463,272	23,260	1,161

Supplemental disclosure with respect to cash flows (Note 25)

Liquid Media Group Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Shares	Amount	Commitment to Issue Shares	Reserves	Accumulated Other Comprehensive Income	Deficit	Non- controlling interest	Total
		\$	\$	\$	\$	\$	\$	\$
Balance, November 30, 2017	2,177,715	2,364,400	168,550	542,397	-	(3,322,652)	-	(247,305)
Shares issued pursuant to acquisition agreement	66,667	415,000	-	-	-	-	-	415,000
Non-controlling interest acquired	-	-	-	-	-	-	1,684,615	1,684,615
Eliminate capital stock of Liquid Media Group (Canada) Ltd.	(2,244,381)	-	-	-	-	-	-	-
Opening balance of Liquid Media Group Ltd.	560,410	-	-	-	-	-	-	-
Issuance of shares to former shareholders of Liquid Canada	1,288,497	4,277,319	-	96,303	-	-	-	4,373,622
Shares issued for cash	800,000	4,157,760	-	-	-	-	-	4,157,760
Shares issued for license fees	888,000	4,880,639	-	-	-	-	-	4,880,639
Shares issued to settle debt	113,764	623,771	-	-	-	-	-	623,771
Shares issued for intangible assets	268,000	1,469,456	-	-	-	-	-	1,469,456
Shares issued for commitment	28,451	156,000	(156,000)	-	-	-	-	-
Shares issued for share issuance costs	10,000	(448,145)	-	24,774	-	-	-	(423,371)
Share issuance costs	-	(23,200)	-	-	-	-	-	(23,200)
Warrants exercised for cash	52,985	159,601	(4,000)	(2,986)	-	-	-	152,615
Warrants exercised for shares to be issued	-	-	4,000	-	-	-	-	4,000
Share-based compensation	-	-	-	111,135	-	-	-	111,135
Foreign exchange on translation	-	-	-	-	282,082	-	116,810	398,892
Loss for the year	-	-	-	-	-	(7,537,749)	37,516	(7,500,233)
Balance, November 30, 2018	4,010,108	18,032,601	12,550	771,623	282,082	(10,860,401)	1,838,941	10,077,396

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

Liquid Media Group Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Shares	Amount	Commitment to Issue Shares	Reserves	Accumulated Other Comprehensive Income	Deficit	Non- controlling interest	Total
		\$	\$	\$	\$	\$	\$	\$
Balance, November 30, 2018	4,010,108	18,032,601	12,550	771,623	282,082	(10,860,401)	1,838,941	10,077,396
Shares issued to settle debt	159,873	634,175	-	-	-	-	-	634,175
Units issued for convertible debentures	1,000,167	2,040,346	-	(244,890)	-	-	-	1,795,456
Residual value of warrants issued for convertible debentures	-	(30,779)	-	30,779	-	-	-	-
Shares issued for services	17,222	73,980	-	-	-	-	-	73,980
Commitment to issue shares	-	-	137,197	-	-	-	-	137,197
Warrants exercised for cash	158,291	368,617	-	-	-	-	-	368,617
Subscriptions reclassified to payables	-	-	(12,550)	-	-	-	-	(12,550)
Share-based compensation	-	-	-	1,173,512	-	-	-	1,173,512
Convertible debenture - equity portion	-	-	-	435,074	-	-	-	435,074
Foreign exchange on translation	-	-	-	-	21,383	-	(8,608)	12,775
Loss for the year	-	-	-	-	-	(7,581,384)	(43,932)	(7,625,316)
Balance, November 30, 2019	5,345,661	21,118,940	137,197	2,166,098	303,465	(18,441,785)	1,786,401	7,070,316
Units issued for cash	2,666,672	5,353,203	-	-	-	-	-	4,177,189
Shares issued to settle debt	107,228	331,967	-	-	-	-	-	331,967
Units issued for convertible debentures and related interest	527,402	1,121,514	-	(134,198)	-	-	-	987,316
Shares issued for services	125,675	276,384	(33,058)	-	-	-	-	243,326
Shares issued for restricted share units	250,001	482,272	-	(482,272)	-	-	-	-
Share issuance costs	-	(1,176,014)	-	-	-	-	-	(1,176,014)
Commitment to issue shares	-	-	574,457	-	-	-	-	574,457
Warrants exercised for cash	1,066,282	2,150,707	(104,139)	(28,056)	-	-	-	2,018,512
Warrants issued for share issue costs	-	-	-	338,558	-	-	-	338,558
Options exercised for cash	53,505	340,672	-	(144,245)	-	-	-	196,427
Share-based compensation	-	-	-	1,917,172	-	-	-	1,917,172
Foreign exchange on translation	-	-	-	-	(299,161)	-	(20,110)	(319,271)
Loss for the year	-	-	-	-	-	(6,231,009)	(1,766,291)	(7,997,300)
Balance, November 30, 2020	10,142,426	29,999,645	574,457	3,633,057	4,304	(24,672,794)	-	9,538,669

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Liquid Media Group Ltd. ("Liquid" or the "Company"), formerly Leading Brands Inc. ("LBIX"), is the parent company of Liquid Media Group (Canada) Ltd. ("Liquid Canada"), formerly Liquid Media Group Ltd. The Company is an entertainment company with a portfolio of content IP spanning creative industries. The Company's mission is to empower storytellers worldwide to develop, produce and distribute content across channels and platforms. The head office and registered records office of the Company is Suite 202 – 5626 Larch Street, Vancouver, British Columbia, V6M 4E1. The Company's shares trade on the Nasdaq Stock Market ("Nasdaq") under the trading symbol "YVR".

On August 9, 2018, the Company announced the successful closing of the proposed business combination with Liquid Canada by way of plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). Pursuant to the Arrangement, Liquid Canada was acquired by and became a wholly-owned subsidiary of LBIX. As part of the Arrangement, on August 10, 2018, LBIX changed its name to Liquid Media Group Ltd. and Liquid Canada changed its name to Liquid Media Group (Canada) Ltd. At the time of completion of the Arrangement, LBIX had 1,848,980 common shares issued and outstanding which included 1,288,497 common shares issued to former Liquid Canada shareholders, representing 69.69% of the Company's issued and outstanding shares. Initially, the common shares of the Company issued in connection with the Arrangement were listed on NASDAQ under the ticker symbol "LBIX". Effective August 10, 2018, the trading symbol of LBIX was changed to "YVR".

Upon closing of the transaction, the shareholders of Liquid Canada owned 69.69% of the common shares of the Company, and as a result, the transaction is considered a reverse acquisition of the Company by Liquid Canada. All previous common shares and warrants were exchanged at a ratio of one share of Liquid Canada for 0.5741 of LBIX ("Conversion Rate"). For accounting purposes, Liquid Canada is considered the acquirer and the Company, the acquiree. Accordingly, the consolidated financial statements are in the name of Liquid Media Group Ltd; however, they are a continuation of the financial statements of Liquid Canada (Note 3).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at November 30, 2020, the Company has generated losses since inception and has an accumulated deficit of \$24,672,794. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management has estimated that it does not have sufficient working capital to meet the Company's liabilities and commitments as they become due for the upcoming 12 months and, therefore, will be required to obtain additional financing. These material uncertainties cast substantial doubt upon the Company's ability to continue as a going concern within one year of the approval of these financial statements. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect demand for our product and harm our business and results of operations; however, the Company has also recognized that the pandemic has led to a global increase in screen time and online gaming which is beneficial to the Company's operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, or how it will impact the Company's ability to conduct financings at this time.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets and liabilities, including derivative instruments that are measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries at the end of the reporting period as follows:

	Incorporation	Percentage owned		
		2020	2019	2018
Liquid Media Group (Canada) Ltd. ("Liquid Canada")	Canada	100%	100%	100%
Companies owned by Liquid Canada:				
Majesco Entertainment Company ("Majesco")	USA	0%	51%	51%

On January 9, 2018, Liquid Canada acquired 51% of the shares of Majesco Entertainment Company ("Majesco"), a Nevada corporation. The Company is a provider of video game products primarily for the mass-market consumer (Notes 5 and 20). The Company deconsolidated Majesco as of August 31, 2020 as control was lost.

All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

Non-controlling interest represented the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. If losses in a subsidiary applicable to a non-controlling interest exceed the non-controlling interest in the subsidiary's equity, the excess is allocated to the non-controlling interest except to the extent that the majority has a binding obligation and is able to cover the losses.

Subsidiaries

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant judgements includes the determination of functional currency, assessments over level of control or influence over companies, the recoverability and measurement of deferred tax assets, assessments of acquisitions of groups of assets versus a business, and the determination of a discontinued operation.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation, derivative, and convertible features; the valuation of intangible assets including goodwill; the valuation of investments in equity instruments; the valuation of expected credit loss; and the valuation of convertible debentures.

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

Functional currency

The functional currency of the Company and its subsidiaries is the United States dollar ("USD"); however, determination of functional currency may involve certain judgments to determine the primary economic environment which is re-evaluated for each new entity or if conditions change.

Level of control or influence over companies

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. The Company has considered its ownership position in Waterproof Studios Inc. ("Waterproof") to constitute significant influence up to February 28, 2019 and thereafter does not have the ability to influence the key operating activities of the entity. Accordingly, as of March 1, 2019 the Company has accounted for its investment under fair value through profit or loss (Notes 10 and 11). Additionally, the Company has assessed that control of Majesco was lost as of August 31, 2020 (Note 20).

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Acquisition of group of assets

The Company acquired platform coding which did not meet the definition of a business and is accounted for as an asset acquisition. The Company applied the amended IFRS 3 *Business Combinations* standard in its determination that the acquisition did not meet the definition of a business, in particular, the optional concentration test, as substantially all the fair value of the assets acquired were accounted in a group of similar identifiable assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Discontinued operations

The Company classifies a component of the Company's business as discontinued operations when there is a highly probable likelihood of a disposal of that component.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation, derivatives, and convertible features

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Valuation of intangible assets including goodwill

Goodwill and intangible assets are assessed for impairment indicators at each reporting date. Management first reviews qualitative factors in determining if an impairment needs to be recorded. Quantitative factors are then used to calculate the amount of impairment, if needed. Goodwill and certain intangibles resulted from a business acquisition which were valued based on estimated discounted cash flows. As at November 30, 2020, that business was sold.

Valuation of investment in equity instrument

The Company values its equity instruments in private companies at fair value at each reporting date. The determination of fair value is based on estimates made by management on the expected earnings before income, taxes, and amortization multiplied by a reasonable factor for the appropriate industry applicable to the private company.

Valuation of expected credit loss

Loans receivable are assessed for an estimated credit loss at each reporting date. The estimated loss is determined based on management's knowledge of the debtor and their ability to repay the loan. As the current debtors' are private entities, management must rely on assertions provided to them from the debtor to make their estimates.

Valuation of convertible debentures

The equity portion of the convertible debenture is calculated using a discounted cash flow method which requires management to make an estimate on an appropriate discount rate.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and Liquid Canada changed from the CAD to the USD dollar effective September 1, 2018. The functional currency of Majesco was the USD. The functional currency of Waterproof is the CAD. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than USD are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities in foreign currencies are translated at historical rates. Revenues and expenses are translated at the average exchange rates approximating those in effect during the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's USD operations are translated into CAD at the exchange rate at the reporting date. The income and expenses are translated using average rate. Foreign currency differences that arise on translation for consolidation purposes are recognized in other comprehensive income (loss).

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables and loans receivable are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash, restricted cash, and investment in equity instruments are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For the years presented, the Company did not record an expected credit loss on its accounts receivable; however, an accumulated expected credit loss was recorded on its loans receivable as at November 30, 2020.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, due to related parties, loans payable, convertible debentures, and long-term debt are classified as other financial liabilities and carried on the statement of financial position at amortized cost. Derivative liabilities are measured at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

The Company's investment in associates was accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost. The statement of loss reflects the share of the results of operations of the associate until significant influence ceases. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in shareholders' equity (deficiency). Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Company has obligations, or has made payments on behalf of the investee. The Company used the equity method of accounting for its 49% investment in Waterproof until significant influence ceased on March 1, 2019.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Assets under construction are not depreciated until available for their intended use.

Depreciation is charged over the estimated useful lives using the declining balance method as follows:

Computer equipment	30%
Vehicles	30%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

The Company has intangible assets from acquisitions and development of gaming content. The amortization method, useful life and residual values are assessed annually and the assets are tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Amortization expense is recorded on a straight-line basis beginning with the month the corresponding assets are available for use and over the estimated useful lives provided below:

Video game catalogues	15 years
Platform coding	3 years
Brands	indefinite

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the accounts and any gain or loss is reflected in profit and loss. Expenditures for repairs and maintenance are expensed as incurred.

Development expenditures, including the cost of material, direct labour, and other direct costs are recognized as an intangible asset when the following recognition requirements are met:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the asset, and
- the asset will generate probable future economic benefits.

Intangible assets being developed are amortized once development is complete and the asset starts to generate income.

Video game catalogues

The video game catalogues are made up of a diverse variety of games, ranging in age and popularity. The catalogues are unique due to the diverse nature of the products within the catalogues, making it difficult to assign a useful life. The useful life of 15 years represents management's view of the expected period over which the Company expects benefits from the acquired gaming content packaged as catalogues. The election of this useful life is supported by internal game titles still producing revenue at this age.

Platform coding

The platform coding acquired by the Company is currently under development and is not yet subject to amortization.

Brand

Through the acquisition of Majesco (Note 5), the Company acquired the "Majesco Entertainment" brand which was determined to have an indefinite life.

Goodwill

Goodwill is deemed to have an indefinite life and is not amortized but is subject to, at a minimum, annual impairment tests. The Company assesses the impairment of goodwill on an annual basis or whenever events or changes in circumstances indicate that the fair value is less than its carrying value. Impairment is tested at the cost center level by comparing the fair value of a cost center with its carrying amount including goodwill. If the carrying amount of the cost center exceeds its fair value, goodwill of the cost center is considered impaired and the second step of the test is performed to determine the amount of impairment loss, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative liability

Share purchase warrants outstanding during the years ended November 30, 2019 and 2018 met the criteria of a derivative instrument liability because they were exercisable in a currency other than the functional currency of the Company and thus did not meet the “fixed-for-fixed” criteria. As a result, the Company was required to separately account for the warrants as a derivative instrument liability recorded at fair value and marked-to-market each period with the changes in the fair value each period charged or credited to loss. Changes in fair value are recognized as gain/loss on derivative liability until the warrants are exercised or expire.

Convertible debentures

The Company’s convertible debenture was classified as a liability, less the portion relating to the conversion feature which is classified as a component of equity. As a result, the recorded liability to repay the convertible notes is lower than its face value. The liability was initially recorded at fair value and subsequently at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debenture.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

Loss per share

Basic and diluted loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of shares outstanding during the reporting period. If applicable, diluted income per share is computed similar to basic income per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options, warrants, and convertible debentures, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers and consultants.

All stock options and compensatory warrants made to employees and non-employees are measured and recognized using the Black-Scholes option pricing model. For employees, the fair value of the options is measured at grant date. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete, the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Stock options that vest over time are recognized using the graded vesting method. Share based compensation is recognized as an expense with a corresponding increase in reserves. At each financial reporting period, the amount recognized as expense is adjusted to reflect the number of share options expected to vest. If and when the stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

The Company may grant Restricted Share Units (RSUs) to directors, officers, employees, and consultants. The fair value of the RSUs are estimated using the value on the grant date and are recognized as an expense over the vesting period. As the RSUs are redeemed and common shares are issued, the amount previously recognized in reserves is recorded as an increase to share capital.

Revenue recognition

Animation production services

Revenue from animation production services provided is recognized when the services have been provided and control of the deliverable has been transferred to the customer. Revenue collected prior to it being earned is recorded as deferred revenue and recognized as the related services are provided. Management estimates the pace of revenue recognition based on contract milestones and determination of when it considered the revenue to be earned. The Company's arrangements with customers are evidenced by contracts with customers. Any costs incurred to secure a contract will be capitalized and amortized over the period in which the revenue is recognized.

Software games

Revenue from sales of interactive software games on game consoles and PCs are recognized as revenue when games are purchased by a customer.

Sales of the Company's games are made by third party gaming platform companies pursuant to license agreements, and these gaming platform companies retain an agreed upon portion of sales as fees. The Company reports revenues related to these arrangements net of the fees retained by the gaming platform companies, as the Company has determined that the gaming platform companies are considered the primary obligors to the end consumers for the sale of the games.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Streaming services

Revenue from streaming services are recognized as revenue when the services have been provided and control of the deliverable has been transferred to the customer. The streaming services allows independent film makers to monetize their films on the Company's streaming platforms. The Company earns a percentage of the sales charged by the filmmakers which is collected by third party payments providers. The Company reports revenues related to these sales net of the fees paid to the filmmakers and payment providers.

Royalties and licenses

Royalty-based obligations with content licensors are either paid in advance and capitalized as prepaid royalties or are accrued as incurred and subsequently paid. These royalty-based obligations are generally expensed to cost of sales at the contractual rate based on a percentage of the revenue earned.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred income tax

Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income and deferred tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting standards

On December 1, 2019, the Company elected to early adopt the amendments to IFRS 3 *Business Combinations*. The amendment:

- clarifies minimum requirements to be a business,
- clarifies market participants ability to replace missing elements,
- clarifies the assessment of whether an acquired process is substantive,
- narrows the definition of outputs, and
- provides for an optional concentration test which is met if substantially all of the fair value of the gross net assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Company has also adopted the following accounting standards effective December 1, 2019, which had no significant impact on the consolidated financial statements:

- IFRS 16 - Leases
- IFRIC 23 – Uncertainty Over Income Tax Treatments

Accounting pronouncements not yet adopted

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. REVERSE ACQUISITION

As described in Note 1, on August 9, 2018, pursuant to an Arrangement between LBIX and Liquid Canada, LBIX acquired all of the issued and outstanding shares of Liquid Canada. The former shareholders of Liquid Canada received an aggregate of 1,288,497 common shares of LBIX for all of the outstanding common shares of Liquid Canada. LBIX shareholders retained 560,410 common shares on completion of the transaction and the former LBIX stock option holders were granted 117,000 stock options.

The transaction constituted a reverse acquisition of LBIX and had been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As LBIX did not qualify as a business according to the definition in IFRS 3, *Business Combination*, this reverse acquisition did not constitute a business combination; rather the transaction was accounted for as an asset acquisition by the issuance of shares of the Company, for the net assets of LBIX and its public listing. Accordingly, the transaction had been accounted for at the fair value of the equity instruments granted by the shareholders of Liquid Canada to the shareholders and option holders of LBIX. The sum of the fair value of the consideration paid (based on the fair value of the LBIX shares just prior to the reverse acquisition) less the LBIX net assets acquired, has been recognized as a listing expense in profit or loss for the year ended November 30, 2018.

For accounting purposes, Liquid Canada was treated as the accounting parent company (legal subsidiary) and LBIX had been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Liquid Canada was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The results of operations of LBIX are included in these consolidated financial statements from the date of the reverse acquisition of August 9, 2018.

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3. REVERSE ACQUISITION (continued)

The following represents management's estimate of the fair value of the LBIX net assets acquired as at August 9, 2018 as a result of the reverse acquisition and is subject to final valuation adjustments.

	Total
	\$
Cost of acquisition:	
Shares retained by public company shareholders	
- 560,410 shares at US\$5.85 x 1.3047	4,277,319
Fair value of stock options	96,303
	4,373,622
Allocated as follows:	
Cash	4,769
Restricted cash	574,510
Prepaid expenses	37,132
Receivables	124,561
Liabilities	(497,907)
	243,065
Allocated to listing expense	4,130,557
	4,373,622

Stock options granted were valued using the Black Scholes model using the following assumptions: risk free rate of 2.09%, volatility of 127%, dividend yield of \$Nil, and expected life of 0.94 years.

During the year ended November 30, 2020, the Company incurred costs of \$nil (2019 - \$192,601; 2018 - \$359,590) related to the reverse acquisition that were recorded as project investigation costs.

4. RESTRICTED CASH

As at November 30, 2020, the Company had a \$Nil (November 30, 2019 - \$672,663 (US\$506,179)) deposit certificate which earned interest at 0.35% per annum and matured and renewed monthly. The deposit certificate was assigned as security to City National Bank for a revolving bank loan (Note 16).

5. ACQUISITION OF MAJESCO ENTERTAINMENT COMPANY

On January 9, 2018, the Company acquired 51% of the issued and outstanding shares of Majesco Entertainment Company, a U.S. corporation. As consideration, the Company issued 66,667 common shares with a value of \$415,000 and is required to pay cash consideration of up to US\$1,000,000. During the year ended November 30, 2020, the Company settled the remaining balance of \$632,061 (US\$500,000) previously included in accounts payable (Note 20) (2019 - \$664,405 (US\$500,000)).

In connection with the acquisition of Majesco, the Company agreed to pay a finder's fee of 5% of the total purchase price for a total fee of \$97,809 (US\$75,000). As at November 30, 2020, the agent forgave the remaining US\$25,000 resulting in \$nil (November 30, 2019 - \$33,223 (US\$25,000)) being included in accounts payable.

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6. RECEIVABLES

	2020	2019
	\$	\$
Accounts receivable	10,360	25,299
Sales tax receivable	227,699	14,293
Other receivables	-	658,769
	238,059	698,361

Other receivables as at November 30, 2019 included the Company's insurance claim for certain legal bills in relation to a lawsuit.

7. PREPAIDS

As at November 30, 2020, prepaids includes \$370,432 (US\$285,714) (November 30, 2019 - \$208,066 (US\$156,570)) for a marketing campaign that is being expensed over the term of the campaign.

8. LOANS RECEIVABLE

Current amounts

As at November 30, 2020, the current loans receivable including accrued interest is as follows:

	Waterproof	Participant Games	Installment Entertainment	Total
	\$	\$	\$	\$
Balance November 30, 2018	104,552	199,806	126,937	431,295
Reclassified as long-term	-	(199,806)	(126,937)	(326,743)
Accrued interest income	8,137	-	-	8,137
Repayments received	(17,807)	-	-	(17,807)
Balance November 30, 2019	94,882	-	-	94,882
Accrued interest income	416	-	-	416
Repayments received	(95,298)	-	-	(95,298)
Balance November 30, 2020	-	-	-	-

During fiscal 2016, the Company entered into a revolving credit facility agreement with Waterproof and advanced \$100,000 to Waterproof. The revolving credit facility was unsecured, bore interest at 8% per annum and was due on July 21, 2017. If there is a default or an event of default has occurred and is continuing, all amounts outstanding shall bear interest, after as well as before judgment, at a rate per annum equal to 2% plus the applicable rate. Interest was payable on the first business day of each month. As at November 30, 2020, the Company had accrued interest receivable of \$nil (November 30, 2019 - \$11,651). The Company received payment in full in December 2019.

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8. LOANS RECEIVABLE (continued)

Long-term amounts

Loans receivable are classified as long-term when management has determined that they will not be receiving payment on these loans within the next twelve months. As at November 30, 2020, the long-term loans receivable including accrued interest are as follows:

	Participant Games	Installment Entertainment	Total
	\$	\$	\$
Balance November 30, 2018	-	-	-
Reclassified from current	199,806	126,937	326,743
Accrued interest income	32,120	20,405	52,525
Expected credit loss	(115,963)	(29,468)	(145,431)
Balance November 30, 2019	115,963	117,874	233,837
Accrued interest income	37,391	23,755	61,146
Expected credit loss	(86,026)	(98,855)	(184,881)
Balance November 30, 2020	67,328	42,774	110,102

During fiscal 2017, the Company entered into a subordinated convertible note with Participant Games Inc. in the amount of \$150,000. The convertible note is unsecured, bears interest at 15% per annum and was due on demand on or before December 21, 2017. The loan was convertible into shares, at any time prior to December 21, 2018 and accordingly the value of the conversion feature remaining from the convertibility feature was nominal as at November 30, 2018. As at November 30, 2020, the Company has accrued interest receivable of \$119,317 (November 30, 2019 - \$81,926) and has recorded an allowance for credit loss of \$201,989 (November 30, 2019 - \$115,963), on a cumulative basis, as the note remains unpaid.

During fiscal 2017, the Company entered into a convertible note with Installment Entertainment Inc. in the amount of \$100,000. The convertible note is unsecured, bears interest at 15% per annum and was payable on demand on or before April 21, 2018. The loan was convertible into shares, at any time prior to April 21, 2018. As at November 30, 2020, the Company has accrued interest receivable of \$71,097 (November 30, 2019 - \$47,342) and has recorded an allowance for credit loss of \$128,323 (November 30, 2019 - \$29,468), on a cumulative basis, as the note remains unpaid.

9. LICENSES

Four licenses were acquired during the year ended November 30, 2018 through the issuance of 888,000 common shares valued at \$4,880,639. During the year ended November 30, 2020, the Company wrote-off one license with an unamortized balance of \$330,276 (year ended November 30, 2019 – one license with an unamortized balance \$717,125). The remaining two licenses held at November 30, 2020 are being amortized over the term of the corresponding agreements ranging from three to four years.

During the year ended November 30, 2020, amortization, included in cost of sales, amounted to \$596,882 (2019 - \$1,819,596; 2018 – \$603,718). The cumulative currency translation adjustment at November 30, 2020 was \$101,718 (November 30, 2019 - \$100,636).

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9. LICENSES (continued)

The following table is a reconciliation of the licenses:

	2020	2019
	\$	\$
Balance, beginning of year	1,840,836	4,382,598
Amortization	(596,882)	(1,819,596)
Write-offs	(330,276)	(717,125)
Currency translation adjustment	1,082	(5,041)
Balance, end of year	914,760	1,840,836

10. INVESTMENT IN ASSOCIATES

Waterproof

On April 15, 2015, the Company acquired a 49% interest in Waterproof by paying \$475,000 and issuing 100,000 common shares with a fair value of \$125,001. The Company also issued 40,000 common shares as a finder's fee with a fair value of \$50,000 during the year ended November 30, 2015.

The Company owns 49% of Waterproof and previously held significant influence over the investment causing the Company to account for its investment using the equity method. As at March 1, 2019, the Company no longer had the ability to exert significant influence over Waterproof's operating activities due to ongoing disputes, therefore causing the Company to reclassify the investment as FVTPL (Note 11).

The following table is a reconciliation of the investment in Waterproof as an equity investment:

	2020	2019	2018
	\$	\$	\$
Balance, beginning of year	-	397,629	509,857
Share of profit (loss) of equity investment	-	195,726	(119,654)
Currency translation adjustment	-	(6,081)	7,426
Derecognition to investment in equity instruments (Note 11)	-	(587,274)	-
Balance, end of year	-	-	397,629

The following table summarizes Waterproof's revenue, expenses and losses for the comparative years:

	2018
	\$
Revenue	4,999,395
Cost of sales	(3,951,861)
Expenses	(1,291,786)
Loss for the year	(244,252)

10. INVESTMENT IN ASSOCIATES (continued)

Household Pests

The Company held a 50% interest in Household Pests Holdings Inc. ("Household Pests") and accounted for its investment as a joint operation as the Company did not have the ability to control the key operating activities of the entity.

During the year ended November 30, 2017, Household Pests entered into a letter of understanding with Household Pests, LLC in connection with the development, financing, production and exploitation of the proposed animated feature film currently entitled Household Pests (the "Film"). Additionally, Household Pests entered in to an option agreement with Pigmental, LLC ("Owner") with respect to the purchase of all rights, titles, and interests in the Animation Work Purchase Agreement dated as of July 2, 2014 by and between Sergio Animation Studios, S.L. and the Owner for a sum of US\$625,000. During the year ended November 30, 2017, the Company paid \$125,500 (US\$100,000) as acquisition costs and incurred \$181,872 in deferred costs.

As at November 30, 2018, Household Pests let the options lapse and as such, management wrote-off its \$310,484 investment in Household Pests.

11. INVESTMENT IN EQUITY INSTRUMENTS

Until February 28, 2019, the Company accounted for the investment in Waterproof (Note 10) using the equity method of accounting resulting in a carrying value of \$587,274 at March 1, 2019, however, the Company no longer exerts significant influence over Waterproof's operating activities resulting in the investment being reclassified as FVTPL.

The fair value as at March 1, 2019 was determined to be \$1,649,362 resulting in a gain of \$1,062,088 on derecognition from the equity accounting carrying value.

As at November 30, 2020, the value of Waterproof's common shares was estimated to be \$3,845,598 (2019 - \$1,551,324) resulting in an unrealized gain on equity instruments of \$2,383,004 (2019 - \$953,961). The cumulative currency translation adjustment as at November 30, 2020 was \$(78,640) (2019 - \$10,089).

The following table is a reconciliation of the investment in Waterproof:

	2020	2019
	\$	\$
Balance, beginning of year	1,551,324	-
Recognition from investment in associates (Note 10)	-	587,274
Change in fair value	2,383,004	953,961
Currency translation adjustment	(88,730)	10,089
Balance, end of year	3,845,598	1,551,324

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12. EQUIPMENT

	Computer Equipment	Vehicles	Total
	\$	\$	\$
Cost:			
At November 30, 2018	-	-	-
Additions	125,143	-	125,143
Net exchange differences	(277)	-	(277)
At November 30, 2019	124,866	-	124,866
Additions	-	56,436	56,436
Net exchange differences	(3,043)	(293)	(3,336)
At November 30, 2020	121,823	56,143	177,966
Depreciation:			
At November 30, 2018	1,553	-	1,553
Net exchange differences	8	-	8
At November 30, 2019	1,561	-	1,561
Additions	37,417	-	37,417
Net exchange differences	(1,365)	-	(1,365)
At November 30, 2020	37,613	-	37,613
Net book value:			
At November 30, 2019	123,305	-	123,305
At November 30, 2020	84,210	56,143	140,353

No depreciation was taken on the vehicle as it was purchased at the end of the fiscal year and not available for use.

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13. INTANGIBLE ASSETS

	Video Game Catalogues	Platform Coding	Brands	Total
	\$	\$	\$	\$
Cost:				
At November 30, 2018	1,589,258	-	105,286	1,694,544
Additions - paid or accrued	133,356	-	-	133,356
Net exchange differences	(7,053)	-	5,013	(2,040)
At November 30, 2019	1,715,561	-	110,299	1,825,860
Additions - paid or accrued	-	4,464,885	-	4,464,885
Dispositions	(208,659)	-	(111,454)	(320,113)
Net exchange differences	(40,598)	(153,981)	1,155	(193,424)
At November 30, 2020	1,466,304	4,310,904	-	5,777,208
Amortization:				
At November 30, 2018	17,722	-	-	17,722
Additions	100,202	-	-	100,202
Net exchange differences	(23)	-	-	(23)
At November 30, 2019	117,901	-	-	117,901
Additions	101,350	-	-	101,350
Net exchange differences	(6,469)	-	-	(6,469)
At November 30, 2020	212,782	-	-	212,782
Net book value:				
At November 30, 2019	1,597,660	-	110,299	1,707,959
At November 30, 2020	1,253,522	4,310,904	-	5,564,426

As at November 30, 2020, included in video game catalogues is \$nil (November 30, 2019 - \$212,625) of development costs which the Company has not begun amortizing.

Brands pertained to Majesco Entertainment which were disposed of at August 31, 2020. (Note 20)

During the year ended November 30, 2020, the Company acquired platform coding for a cash payment of \$4,464,885 (US\$3,325,000) which is currently under development and not yet subject to amortization.

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14. GOODWILL

Goodwill of \$3,356,355 was acquired during the year ended November 30, 2018 pursuant to the acquisition of Majesco. As at November 30, 2020, the goodwill was disposed of upon the deconsolidation of the Majesco operations (Note 20). The currency translation adjustment as at November 30, 2020 was \$nil (November 30, 2019 - \$226,193).

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
	\$	\$
Accounts payable	1,116,088	2,845,308
Accrued liabilities	154,958	821,014
Payroll taxes payable	13,406	474
Sales tax payable	-	2,911
Payable on Majesco acquisition (Note 5)	-	697,674
	1,284,452	4,367,381

During the year ended November 30, 2020, the Company issued 100,317 (2019 – 159,873; 2018 – 81,937) common shares valued at \$306,620 (2019 - \$634,175; 2018 - \$449,291) to settle accounts payable of \$346,000 (2019 - \$535,688; \$595,045) resulting in a gain of \$39,380 (2019 – loss of \$98,487; 2018 – gain of \$145,764) which is included in gain (loss) on settlement of debt.

During the year ended November 30, 2020, the Company issued 12,402 units valued at \$26,130 to convert interest on the convertible debentures included in accounts payable (Notes 17 and 19).

16. LOANS PAYABLE

A summary of loans payable balances and transactions is as follows:

	Related party	Third party	Credit Facility	Bank Loan	Total
	\$	\$	\$	\$	\$
Balance, November 30, 2018	172,203	12,000	750,000	-	934,203
Advance	-	150,000	-	662,933	812,933
Repayment - cash	(172,203)	(137,000)	-	-	(309,203)
Balance, November 30, 2019	-	25,000	750,000	662,933	1,437,933
Advance	-	-	-	1,535	1,535
Repayment - cash	-	-	(110,707)	(664,468)	(775,175)
Repayment - shares	-	(25,000)	-	-	(25,000)
Balance, November 30, 2020	-	-	639,293	-	639,293

16. LOANS PAYABLE (continued)

Related party loans

Related party loans consisted of amounts advanced by directors or companies controlled by them. Several of the loans were secured by assets of the Company with due dates ranging from demand loans to periods of one year and interest rates ranging from 0.0% to 8.0% per annum. As at November 30, 2019, all loans have been paid in full. As at November 30, 2020, interest of \$nil (2019 - \$39,747) remains outstanding and is included in accounts payable and accrued liabilities.

Third party loans

Third party loans included loans secured by assets of the Company with due dates ranging from demand loans to periods of one year and interest rates ranging from 0.0% to 14.4% per annum. As at November 30, 2019, the amount outstanding was due on demand and incurred interest of 14.4% per annum. During the year ended November 30, 2020, the Company issued 6,911 common shares valued at \$25,347 to settle the \$25,000 loan outstanding resulting in a loss of \$348. Interest of \$nil (2019 - \$2,192) remains outstanding and is included in accounts payable and accrued liabilities.

Credit facility

In fiscal 2016 a \$2,500,000 Credit facility was secured by assets of the Company under a general security agreement with a due date of November 30, 2018 and an interest rate of 14.4% per annum. A fee of \$60,000 was settled through the issuance of shares during the year ended November 30, 2017. The Company repaid \$1,750,000 of principal and \$147,945 of interest during the year ended November 30, 2017.

In June 2018, a new lender acquired the remaining \$750,000 loan and under new terms, the loan was due on August 20, 2018. The new lender obtained a Limited Power of Attorney over the Company's 49% interest in Waterproof ("Waterproof POA"). In December 2018, the lender registered a general security agreement over all the Company's current and future assets.

In November 2019, the new lender signed a Forebearance Agreement which extended the maturity date of the loan to November 30, 2020 and required the Company to make quarterly payments of \$250,000 commencing on March 31, 2020 until the principal and interest on the loan have been paid in full. In accordance with the Forebearance Agreement, the Company issued 215,000 treasury shares of the Company as security for the loan which will be transferred to the lender upon any default of the loan. Additionally, the new lender released the Waterproof POA and amended their general security agreement to exclude the Company's investment in Waterproof. In March 2020, the new lender provided an extension allowing the delay of the quarterly payments to commence June 30, 2020.

During the year ended November 30, 2020, the Company repaid a further \$500,000 for this loan of which \$110,707 has been applied to the principal and \$389,293 has been applied to the outstanding interest. Interest of \$7,062 (2019 - \$289,282) remains outstanding and is included in accounts payable and accrued liabilities at November 30, 2020.

In February 2021, the new lender agreed to accept the 215,000 treasury shares held as security as full and final payment of the Forebearance Agreement (Note 29).

Bank loan

In May 2019, the Company entered into a revolving note for US\$500,000 with City National Bank which bore interest at 2.35% per annum and was secured by a deposit certificate of US\$500,000 (Note 4). As at November 30, 2020, the Company had repaid this loan in full.

17. CONVERTIBLE DEBENTURES

	Liability component	Equity component	Total
	\$	\$	\$
Balance, November 30, 2018	-	-	-
Cash received	2,930,477	595,991	3,526,468
Deferred income tax liability	-	(160,917)	(160,917)
Interest expense and accretion	259,885	-	259,885
Settlement of convertible debentures	(1,795,455)	(244,890)	(2,040,345)
Reallocation of interest to accounts payable	(25,156)	-	(25,156)
Currency translation adjustment	18,651	-	18,651
Balance, November 30, 2019	1,388,402	190,184	1,578,586
Interest expense and accretion	83,140	-	83,140
Settlement of convertible debentures	(961,186)	(134,198)	(1,095,384)
Reallocation of interest to accounts payable	(21,079)	-	(21,079)
Currency translation adjustment	42,242	-	42,242
Balance, November 30, 2020	531,519	55,986	587,505

On February 28, 2019, the Company closed its private placement offering of unsecured convertible debentures raising \$3,526,468 (US\$2,678,000). Each debenture will mature two years from closing, will bear interest at 2% per annum, and can be converted into units at a price of US\$1.50 per unit. Each unit will consist of one common share and one share purchase warrant with each warrant entitling the holder to acquire one common share of the Company for US\$1.75 up to February 28, 2021.

For accounting purposes, the convertible debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debentures assuming a 12% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component, less a deferred income tax adjustment to reflect the book to tax difference in value of the convertible debentures at the time of issuance. As the Company has excess tax assets to offset the deferred tax liability, which was created from the book to tax difference in value of the convertible debentures, the deferred tax liability was reversed, resulting in a deferred tax recovery of \$160,917 during the year ended November 30, 2019.

During the year ended November 30, 2020, debentures of \$961,186 (US\$681,980) (2019 - \$1,795,455 (US\$1,133,761)) were converted into 515,000 (2019 - 1,000,167) units of the Company of which \$nil (2019 - \$30,779) was allocated to reserves relating to the value of the warrants issued. As a result, the Company transferred \$134,198 (2019 - \$244,890) from reserves to share capital representing the proportionate balance of the equity component.

Interest and accretion expense for the year ended November 30, 2020 was \$83,140 (2019 - \$259,885).

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18. LONG-TERM DEBT

	Third party
	\$
Balance, November 30, 2019	-
Advances	51,936
Balance, November 30, 2020	51,936
Current portion	8,991
Long-term portion	42,945

During the year ended November 30, 2020, the Company entered into a Conditional Sales Contract for the purchase of a vehicle. The agreement bears interest of 6.99%, requires 60 monthly payments of \$1,028, and is secured by a vehicle with a net book value of \$56,143 (Note 12).

The principal payments required under the long-term debt for the next four fiscal years are as follows:

2022	\$9,640
2023	10,336
2024	11,082
2025	11,887

19. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company is authorized to issue 500,000,000 common shares without par value.

The Company is authorized to issue the following preferred shares:

Preferred shares without par value	9,999,900
Series "A" preferred shares	1,000,000
Series "B" preferred shares	100
Series "C" preferred shares	1,000,000
Series "D" preferred shares	4,000,000
Series "E" preferred shares	4,000,000
	20,000,000

Issued share capital

Common shares

The Company had the following share issuances during the year ended November 30, 2020:

- a) On January 22, 2020, the Company issued 57,125 common shares valued at \$148,198 to settle debt of \$190,706 (Note 15) resulting in a gain of \$42,508 which is included in gain (loss) on debt settlements.

19. SHARE CAPITAL AND RESERVES (continued)

Issued share capital (continued)

Common shares (continued)

- b) On January 22, 2020, the Company issued 11,764 common shares valued at \$39,615 to a consultant of the Company for public relations services provided to the Company of which \$33,058 of services were rendered during the year ended November 30, 2019 and was included in commitment to issue shares.
- c) On April 27, 2020, the Company issued 50,103 common shares valued at \$183,769 to settle debt of \$180,294 (Notes 15 and 16) resulting in a loss of \$3,476 which is included in gain (loss) on debt settlements.
- d) On June 8, 2020, the Company closed a registered direct offering, under its F-3 registration statement in the United States, by issuing 2,666,672 common shares of the Company at US\$1.50 per common share for total proceeds of \$5,353,203 (US\$4,000,002). Concurrent with this offering, the Company issued to the investors 1,333,334 share purchase warrants exercisable for USD\$1.88 per common share with a maturity date of June 9, 2025. In connection with these offerings, the Company paid legal fees of \$409,200 (US\$305,761), agent fees of \$428,256 (US\$320,000), and issued 213,333 agent warrants with a value of \$338,558 and an exercise price of US\$1.88 per common share with a maturity date of June 4, 2025.
- e) On July 29, 2020, the Company issued 29,536 common shares valued at \$60,000 to a consultant of the Company for advisory services provided to the Company.
- f) On September 16, 2020, the Company issued 250,001 common shares valued at \$482,272 in relation to the vesting of 250,001 restricted share units. As a result, the Company transferred \$482,272 representing the fair value of the vested RSUs from reserves to share capital.
- g) On November 17, 2020, the Company issued 84,375 common shares valued at \$176,769 to a consultant of the Company for services provided to the Company.
- h) During the year ended November 30, 2020, the Company issued the following for exercised stock options, warrants, and conversions:
 - issued 515,000 units on the conversion of \$961,186 (US\$681,980) worth of net convertible debentures (Note 17) and 12,402 units on the conversion of \$26,130 (US\$18,605) worth of interest on the convertible debentures. As a result, the Company transferred \$134,198 from reserves to share capital representing the proportionate balance of the equity component. Each unit comprised of one common share and one warrant with each warrant entitling the holder to acquire one common share of the Company for US\$1.75 up to February 26, 2021.
 - issued 493,111 common shares for total proceeds of \$1,111,476 in connection with the exercise of 493,111 share purchase warrants at US\$1.75 per warrant of which \$104,139 was received during the year ended November 30, 2019. As a result, the Company transferred \$28,056 representing the fair value of the exercised warrants from reserves to share capital.
 - issued 573,171 common shares for total proceeds of \$907,036 in connection with the exercise of 573,171 share purchase warrants at US\$1.20 per warrant.
 - received \$574,457 for the exercise of 367,084 share purchase warrants with an exercise price of US\$1.20 and an expiry date of August 30, 2020 which is included in commitment to issue shares. In December 2020, the shares were issued (Note 29).

19. SHARE CAPITAL AND RESERVES (continued)

Issued share capital (continued)

Common shares (continued)

- issued 53,505 common shares for total proceeds of \$196,427 in connection with the exercise of 53,505 stock options at US\$2.55 per option. As a result, the Company transferred \$144,245 representing the fair value of the exercised options from reserves to share capital.

The Company had the following share issuances during the year ended November 30, 2019:

- a) On February 28, 2019, the Company issued 113,334 common shares valued at \$391,013 to settle debt of \$335,792 resulting in a loss of \$55,221 which is included in loss on debt settlements.
- b) On April 30, 2019, the Company issued 46,539 common shares valued at \$243,162 to settle debt of \$199,896 resulting in a loss of \$43,266 which is included in loss on debt settlements.
- c) On April 30, 2019, the Company issued 17,222 common shares valued at \$73,980 to various consultants of the Company for consulting and public relations services provided to the Company.
- d) During the year ended November 30, 2019, the Company issued the following for exercised warrants and conversions:
 - issued 158,291 common shares valued at \$368,617 in connection to the exercise of 158,291 share purchase warrants with an exercise price of US\$1.75 per warrant.
 - issued 1,000,167 units on the conversion of \$1,795,455 (US\$1,133,761) worth of net convertible debentures (Note 17). As a result, the Company transferred \$244,890 from reserves to share capital representing the proportionate balance of the unamortized equity component. Additionally, the Company allocated \$30,779 to reserves representing the value of the warrants issued. Each unit comprised of one common share and one warrant with each warrant entitling the holder to acquire one common share of the Company for US\$1.75 up to February 26, 2021.

The Company had the following share issuances during the year ended November 30, 2018:

- a) On January 9, 2018, the Company issued 66,667 common shares valued at \$415,000 pursuant to the December 12, 2017 share purchase agreement for Majesco (Note 5).
- b) On August 9, 2018, a reverse acquisition transaction was completed whereby LBIX issued 1,288,497 common shares valued at \$4,277,319 in exchange for all of the issued and outstanding shares of Liquid Canada (Note 3). Warrants held by Liquid Canada were transferred to the Company as part of the Arrangement valued at \$96,303.
- c) On October 15, 2018, the Company completed a brokered private placement which consisted of the issuance of 800,000 units at a price of US\$4.00 per unit for gross proceeds of \$4,157,760 (US\$3,200,000). Each unit consisted of one common share and one share purchase warrant exercisable for a three-year period at an exercise price of US\$5.00 per warrant. The Company incurred agents' fees of \$410,218, legal fees of \$36,353, issued 10,000 common shares valued at \$41,531 to an agent, and issued 8,000 agents warrants valued at \$24,774 in connection with the closing of this private placement.
- d) On October 15, 2018 the Company issued 888,000 common shares valued at \$4,880,639 for licenses (Note 9).

19. SHARE CAPITAL AND RESERVES (continued)

Issued share capital (continued)

Common shares (continued)

- e) On October 15, 2018, the Company issued 113,764 common shares valued at \$623,771 to settle debt of \$833,487 resulting in a gain of \$209,716 which is included in gain on debt settlements and issued 28,451 common shares valued at \$156,000 for a commitment to issue shares.
- f) On October 15, 2018, the Company issued 268,000 common shares valued at \$1,469,456 for the purchase of video games in connection with two separate purchase agreements (Note 13).
- g) During the year ended November 30, 2018, the Company issued the following for exercised warrants and conversions:
 - issued 51,148 common shares in connection with the exercise of share purchase warrants for proceeds of \$154,320. As a result, the Company transferred \$23,854 representing the fair value of the exercised share purchase warrants from reserves to share capital.
 - issued 1,837 common shares in connection with the exercise of 1,837 agents' warrants at \$1.25 per warrant for proceeds of \$2,296. As a result, the Company transferred \$2,985 representing the fair value of the exercised share purchase warrants from reserves to share capital.

Preferred shares

As at November 30, 2020, 2019, and 2018, no preferred shares were issued and outstanding.

Treasury shares

On November 27, 2019, the Company issued 215,000 common shares into treasury as security against a loan in accordance with a Forbearance Agreement (Note 16). In February 2021, the Company transferred these shares to the lender as full and final payment of the Forbearance Agreement (Note 29).

Profit (loss) per share

	Year ended November 30,		
	2020	2019	2018
	\$	\$	\$
Basic and diluted loss per share attributable to the Company from continuing operations	(0.66)	(1.77)	(3.16)
Basic and diluted loss per share attributable to the Company	(0.79)	(1.78)	(3.14)
Basic and diluted loss per share attributable to the non-controlling interest	(0.23)	(0.01)	0.02
Weighted average number of common shares outstanding	7,845,300	4,255,297	2,397,117

19. SHARE CAPITAL AND RESERVES (continued)

Stock options

Prior to the Arrangement described in Note 3, the Company had a stock option plan whereby the Company could grant share options to directors, officers, employees, and consultants enabling them to acquire up to 15% of the issued common shares of the Company.

The exercise price of each option is set by the Board of Directors at the time of grant subject to a minimum price of \$0.10 per share but cannot be less than the market price (less permissible discounts) on the Canadian Stock Exchange. Options can have a maximum term of five years and typically terminate ninety days following the termination of the optionee's employment or engagement (thirty days for options granted for investor relations services), except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

All stock options outstanding in Liquid Canada were cancelled upon the completion of the Arrangement.

Following the Arrangement, the Company does not have a formal stock option plan. The Company occasionally grants stock options to its employees, officers, directors and consultants to purchase common shares of the Company. The options granted are exercisable at a price which is equal to or greater than the fair market value of the common shares at the date the options are granted. The options are granted with varied vesting periods but generally vest immediately on grant. Options granted generally have a life of five years.

During fiscal 2018 and in connection with the Arrangement, the Company granted 117,000 stock options, with a total fair value of \$236,345, to former option holders of LBIX of which 89,000 stock options vest 25% on grant date, 25% on October 2, 2018, 25% on January 2, 2019, and 25% on April 2, 2019. Of the total fair value granted, \$96,303 was considered to be part of the cost of acquisition of LBIX (Note 3). During the year ended November 30, 2020, the Company recorded share-based compensation of \$Nil (2019 - \$36,781; 2018 - \$111,135) in relation to these options.

During the year ended November 30, 2019, the Company granted 461,500 stock options with a total fair value of \$1,136,731 that vested immediately on grant.

During the year ended November 30, 2020, the Company granted 550,000 stock options with a total fair value of \$1,011,582 that vested immediately on grant.

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the stock options granted:

	2020	2019	2018
Risk-free interest rate	0.47%	1.82%	2.09%
Dividend yield	Nil	nil	Nil
Expected life	5.0 years	5.0 years	0.94 years
Volatility	103%	92%	127%
Weighted average fair value per option	\$1.79	\$2.46	\$2.08

19. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
		\$
Balance, November 30, 2017	220,000	3.75
Cancelled – Plan of Arrangement	(220,000)	3.75
Granted	117,000	17.24 (US\$13.30)
Balance, November 30, 2018	117,000	17.24 (US\$13.30)
Granted	461,500	3.31 (US\$2.55)
Cancelled	(117,000)	17.24 (US\$13.30)
Balance, November 30, 2019	461,500	3.39 (US\$2.55)
Granted	550,000	3.31 (US\$2.55)
Exercised	(53,505)	3.31 (US\$2.55)
Balance, November 30, 2020	957,995	3.31 (US\$2.55)

A summary of the share options outstanding and exercisable at November 30, 2020 is as follows:

Number of Stock Options	Exercise Price	Expiry Date
	\$	
407,995	3.31 (US\$2.55)	February 28, 2024
25,000	3.31 (US\$2.55)	January 8, 2025
25,000	3.31 (US\$2.55)	February 13, 2025
25,000	3.31 (US\$2.55)	March 10, 2025
25,000	3.33 (US\$2.57)	April 13, 2025
450,000	3.31 (US\$2.55)	July 23, 2025
957,995		

The weighted average life of share options outstanding at November 30, 2020 was 4.01 years.

Warrants

Agents' warrants

During the year ended November 30, 2020, the Company issued 213,333 agents warrants with a total fair value of \$338,558 and an exercise price of US\$1.88 per warrant in connection with the private placement which closed on June 8, 2020.

During the year ended November 30, 2018, the Company issued 8,000 agents' warrants with an exercise price of US\$4.00 per warrant with a total fair value of \$24,774 in connection with the October 15, 2018 private placement.

19. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

Agents' warrants (continued)

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the warrants granted:

	2020	2019	2018
Risk-free interest rate	0.48%	-	2.30%
Dividend yield	nil	-	Nil
Expected life	5.0 years	-	2 years
Volatility	103%	-	105%
Weighted average fair value per warrant	\$1.59	-	\$3.10

Agents' warrant transactions are summarized as follows:

	Number of Agents' Warrants	Weighted Average Exercise Price
		\$
Balance, November 30, 2017	4,574	1.25
Issued	8,000	5.19 (US\$4.00)
Exercised	(1,837)	1.25
Balance, November 30, 2018	10,737	4.35
Cancelled	(2,737)	1.25
Balance, November 30, 2019	8,000	5.32 (US\$4.00)
Issued	213,333	2.44 (US\$1.88)
Cancelled	(8,000)	5.19 (US\$4.00)
Balance, November 30, 2020	213,333	2.44 (US\$1.88)

A summary of the agents' warrants outstanding and exercisable at November 30, 2020 is as follows:

Number of Agent's Warrants	Exercise Price	Expiry Date
	\$	
213,333	2.44 (US\$1.88)	June 4, 2025
213,333		

The weighted average life of agent's warrants outstanding at November 30, 2020 was 4.52 years.

19. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

Share purchase warrants

During the year ended November 30, 2018, the Company issued 800,000 share purchase warrants with an exercise price of US\$5.00 per warrant in connection with the October 15, 2018 private placement.

The Company provided an anti-dilution clause on 132,043 warrants issued during the year ended November 30, 2017 that are triggered on exercise of such warrants. During the year ended November 30, 2018, 72,800 additional warrants with an exercise price of US\$2.50 were issued under this provision.

During the year ended November 30, 2019, the Company issued 1,000,167 share purchase warrants with an exercise price of US\$1.75 per warrant in connection with the conversion of various convertible debentures.

On October 18, 2019, the Company repriced six tranches of share purchase warrants to US\$1.20.

During the year ended November 30, 2020, the Company:

- issued 527,402 share purchase warrants with an exercise price of US\$1.75 per warrant in connection with the conversion of various convertible debentures;
- 621,865 share purchase warrants with an exercise price of US\$1.20 per warrant in connection with the exercise of the "B" share purchase warrants described under Derivative liability below; and
- 1,333,334 share purchase warrants with an exercise price of US\$1.88 per warrant in connection with the registered direct offering which closed in June 2020.

Share purchase warrant transactions are summarized as follows:

	Number of Share Purchase Warrants	Weighted Average Exercise Price
		\$
Balance, November 30, 2017	320,946	4.36
Granted	800,000	6.65
Granted on anti-dilution clause	72,800	3.24 (USD\$2.50)
Exercised	(51,148)	3.01
Balance, November 30, 2018	1,142,598	6.05
Issued	1,000,167	2.33 (US\$1.75)
Exercised	(158,291)	2.33 (US\$1.75)
Balance, November 30, 2019	1,984,474	1.92 (US\$1.81)
Issued	2,482,601	2.18 (US\$1.68)
Exercised	(1,433,366)	1.80 (US\$1.39)
Balance, November 30, 2020	3,033,709	2.15 (US\$1.66)

19. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

Share purchase warrants (continued)

A summary of the share purchase warrants outstanding and exercisable at November 30, 2020 is as follows:

Number of Share Purchase Warrants	Exercise Price	Expiry Date
	\$	
800,000	1.56 (US\$1.20)	October 15, 2021
876,167	2.27 (US\$1.75)	February 26, 2021
24,208	1.56 (US\$1.20)	April 6, 2022
1,333,334	2.44 (US\$1.88)	June 9, 2025
3,033,709		

The weighted average life of share purchase warrants outstanding at November 30, 2020 was 2.30 years.

Restricted share units ("RSUs")

During the year ended November 30, 2020, the Company granted 1,000,001 RSUs to certain directors, officers, and consultants of the Company which vest 25% on grant (September 3, 2020) and 25% each six months thereafter. The granted RSUs convert to common shares of the Company upon vesting, accordingly, 250,001 common shares were issued upon grant.

During the year ended November 30, 2020, the Company recorded share-based compensation expense of \$905,590 in relation to the issued RSUs. The fair value of the RSUs was measured using the value on the grant date of US\$1.47 per common share.

	Number of RSUs
Balance, November 30, 2017, 2018, and 2019	-
Granted	1,000,001
Vested	<u>(250,001)</u>
Balance, November 30, 2020	750,000

19. SHARE CAPITAL AND RESERVES (continued)

Derivative liability

- a) On August 30, 2017, the Company completed a non-brokered private placement of 132,043 units for cash proceeds of \$126,000. Each unit consisted of one "A" share purchase warrant and one "B" share purchase warrant. Each "A" warrant entitles the holder to purchase one share of the Company for a period of three years from closing at a price of \$3.00 per warrant. Each "B" warrant entitles the holder to purchase one share of the Company for a period of three years from closing at a price of \$6.00, repriced to USD\$1.20 on October 18, 2019. The warrant agreement provides an anti-dilution clause for each of the A and B warrants that, upon exercise of the warrants, will cause the Company to issue additional warrants sufficient to entitle the warrant holder to acquire 10% of the issued and outstanding common shares of the Company. Such right is limited to one exercise of either of the A and B warrants and all of the A warrants must be exercised prior to exercising any of the class B warrants.

The anti-dilution right for the A and B share purchase warrants was valued at \$126,000 as at November 30, 2017 as the acquisition price approximated fair value due to the recency of the transaction. During the year ended November 30, 2018, certain A warrants were exercised causing the rights to expire resulting in a decrease to the liability.

During the year ended November 30, 2020, certain B warrants were exercised causing the rights to expire resulting in the elimination of the liability.

As at November 30, 2020, the rights attached to the B warrants were valued at \$Nil (2019 - \$1,102,277) resulting in a derivative gain of \$1,102,277 for the year ended November 30, 2020 (2019 – loss of \$1,001,365; 2018 - gain of \$25,088).

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the revaluation of the derivative liability as at November 30, 2020, 2019 and 2018:

	2020	2019	2018
Risk-free interest rate	-	1.70%	2.16%
Dividend yield	-	Nil	Nil
Expected life	-	0.75 year	1.75 years
Volatility	-	106%	114%
Probability of exercise	-	75%	20%

- b) Due to the Company changing its functional currency from the CAD to the USD during the year ended November 30, 2018, a derivative liability occurred on the date of change on the Company's previously issued share purchase warrants with CAD exercise prices. During the year ended November 30, 2019, the share purchase warrants with a CAD exercise price was repriced to USD resulting in the elimination of the derivative liability.

As at November 30, 2019, the Company revalued the derivative liability to \$Nil and recorded a gain of \$551,846 (2018 - \$1,005,240).

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the revaluation of the derivative liability as at November 30, 2020, 2019, and 2018:

	2020	2019	2018
Risk-free interest rate	-	-	2.08%
Dividend yield	-	-	Nil
Expected life	-	-	2.25 years
Volatility	-	-	102%

20. DISCONTINUED OPERATIONS

On August 31, 2020, the Company agreed to settle \$652,061 (US\$500,000) payable for the Majesco acquisition (Note 5), along with \$452,772 in consulting fees owed to the previous owner of Majesco, for \$260,824 (US\$200,000) in cash and the return of the Company's 51% ownership of Majesco. Upon signing of the agreement, the Majesco operations were considered discontinued and the balances were reclassified as such.

The following is the breakdown of the discontinued operations on the statement of comprehensive loss:

	Year ended November 30,		
	2020	2019	2018
	\$	\$	\$
Sales	415,335	402,127	687,381
Cost of sales	141,815	148,249	155,031
Gross profit	273,520	253,878	532,350
Operating expenses			
Consulting and director fees	12,179	113,990	131,866
Other general and administrative expenses	14,371	30,296	23,041
Management and directors salaries and fees	89,658	113,229	95,121
Marketing	-	282	-
Professional fees	30,462	87,396	50,932
	146,670	345,193	300,960
Impairment of goodwill	(2,940,739)	-	-
Write off of intangible assets	-	-	(116,352)
Loss on settlement of debt	-	-	(36,854)
	(2,940,739)	-	(153,206)
Profit (loss) before income taxes	(2,813,889)	(91,315)	78,184
Income tax expense	-	(1,659)	1,621
Profit (loss) from discontinued operations	(2,813,889)	(89,656)	76,563
Profit (loss) attributable to non-controlling interest from discontinued operations	(1,766,291)	(43,932)	37,516
Profit (loss) attributable to the Company from discontinued operations	(1,047,598)	(45,724)	39,047

The following is a breakdown of the change in cash flows for the discontinued operations:

	Year ended November 30,		
	2020	2019	2020
	\$	\$	\$
Net cash provided by (used in) operating activities	38,635	113,876	119,667
Net cash used in investing activities	-	(133,356)	11,060
Net cash flows for the year	38,635	(19,480)	130,727

21. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

In November 2020, the Company signed employment agreements with two directors of the Company. The agreements require total payments of \$17,500 per month each. Included in the agreements is a provision for 12 months written notice or salary paid in lieu of notice upon termination without just cause.

A summary of related party loans and related transactions is included in Notes 5 and 16. Interest expense paid or accrued to related parties during the year ended November 30, 2020 was \$nil (2019 - \$5,174; 2018 - \$18,537).

Accounts payable and accrued liabilities at November 30, 2020 includes \$27,098 (2019 - \$945,940) owing to directors, officers, or to companies controlled by common directors for unpaid consulting fees, expense reimbursements, and loan interest. Additionally, accounts payable and accrued liabilities includes \$nil (2019 - \$664,452) payable to a director of Majesco relating to the purchase of the Company's 51% interest in Majesco.

During the year ended November 30, 2020, the Company received \$nil (2019 - \$781,395 (US\$588,000)) for convertible debentures detailed in Note 17 from three directors of the Company. In July 2019, two directors converted their debentures worth \$116,990 (US\$88,000) into 58,667 units of the Company. In April 2020, the remaining director converted his debenture of \$706,350 (US\$500,000) and the associated accrued interest of \$14,941 (US\$10,576) into 340,384 units of the Company.

As at November 30, 2019, a loan was due from Waterproof, which included accrued interest receivable, amounting to \$94,882. As at November 30, 2020, the loan was repaid in full. During the year ended November 30, 2020, the Company recorded interest income of \$416 (2019 - \$8,137; 2018 - \$8,116) in connection to this loan receivable. (Note 8).

The following is a summary of key management personnel compensation:

	Year ended November 30,		
	2020	2019	2018
	\$	\$	\$
Management and directors salaries and fees	625,000	577,500	407,525
Management and directors salaries and fees in discontinued operations	19,000	26,000	-
Share-based compensation	1,578,456	890,418	-
Interest expense	-	5,174	18,537
	2,222,456	1,499,092	426,062

22. NON-CONTROLLING INTEREST

The following table presents the changes in equity attributable to the 49% non-controlling interest in Majesco:

	2020	2019
	\$	\$
Balance, beginning of year	1,786,401	1,838,941
Share of loss for the year	(1,766,291)	(43,932)
Foreign exchange on translation	(20,110)	(8,608)
Balance, end of year	-	1,786,401

The following table presents the non-controlling interest as at November 30, 2020 and 2019:

	2020	2019
	\$	\$
Assets		
Current	-	33,770
Non-current	-	3,905,471
	-	3,939,241
Liabilities		
Current	-	270,362
Non-current	-	23,163
	-	293,525
Net assets	-	3,645,716
Non-controlling interest	-	1,786,401

The following table presents the loss and comprehensive loss attributable to non-controlling interest:

	Note	2020	Year ended November 30, 2019	2018
		\$	\$	\$
Profit (loss) attributable to non-controlling interest from discontinued operations	20	(1,766,291)	(43,932)	37,516
Foreign exchange translation adjustment		(20,110)	(8,608)	116,810
Comprehensive loss attributable to non-controlling interest		(1,786,401)	(52,540)	154,326

23. CAPITAL DISCLOSURE AND MANAGEMENT

The Company defines its capital as cash and shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company is not subject to externally imposed capital requirements other than disclosed in Note 16.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The Company's financial instruments consist of cash, restricted cash, receivables, loans receivable, investment in equity instruments, accounts payable and accrued liabilities, loans payable, convertible debentures, long-term debt, and derivative liability. The fair value of receivables, loans receivable, accounts payable and accrued liabilities, loans payable, and long-term debt approximates their carrying values. Cash and restricted cash are measured at fair value using level 1 inputs. Convertible debentures and derivative liability are measured using level 2 inputs. The investment in equity instruments is measured at fair value using level 3 inputs.

As at November 30, 2020, the fair value of the level 3 asset was \$3,845,598 (2019 - \$1,551,324) based on a multiple of 6.9 times management's estimate of Waterproof's expected earnings before interest, taxes, and expected amortization. The Company's investment in Waterproof does not have a quoted market price on an active market and the Company has assessed the fair value of the investment based on Waterproof's unobservable earnings. As a result, the fair value is classified as level 3 of the fair value hierarchy. The process of estimating the fair value of Waterproof is based on inherent measurement uncertainties and is based on techniques and assumptions that emphasize both qualitative and quantitative information. There is no reasonable quantitative basis to estimate the potential effect of changing the assumptions to reasonably possible alternative assumptions on estimated fair value of the investment.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, and liquidity risk.

a) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada and the United States. As the Company's functional currency is USD, the Company is subject to foreign currency exchange rate risk on its net assets denominated in CAD which could have an adverse effect on the profitability of the Company. As at November 30, 2020, the Company had assets totaling CAD\$385,416 and liabilities totalling CAD\$317,679. A 10% change in the exchange rate would change other comprehensive income/loss by approximately US\$5,000. The Company currently does not have plans to enter into foreign currency future contracts to mitigate this risk, however it may do so in the future.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is held in a large Canadian financial institution. The Company maintains certain cash deposits with Schedule I financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's restricted cash is held with a law firm in trust in which credit risk exposure is low. The Company's sales tax receivable is due from the Government of Canada; therefore, the credit risk exposure is low.

The maximum exposure to credit risk as at November 30, 2020 and 2019 is the carrying value of the loans receivable. The Company has allowed for an expected credit loss of \$330,312 on the loans receivable as at November 30, 2020. During the year ended November 30, 2020, the Company increased the allowance by \$184,881 which is included in the consolidated statements of comprehensive loss.

c) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. As at November 30, 2020, the loans included in loans payable and convertible debentures bear interest at rates of 14.4% and 2.0% per annum, respectively, and are due on demand. The long-term debt bears interest at 6.99% per annum and is payable over five years. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

d) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at November 30, 2020, the Company had a cash balance of \$704,977 to settle current financial liabilities of \$2,464,255. Additionally, as there is no assurance the convertible debentures will be converted into common shares of the Company, the Company is exposed to liquidity risk.

25. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Years ended November 30,		
	2020	2019	2018
	\$	\$	\$
Supplemental non-cash disclosures			
Reallocation of value of options upon exercise	144,245	-	-
Reallocation of value of warrants upon exercise	28,056	-	2,986
Reallocation of value of RSUs upon vesting	482,272	-	-
Shares issued for the acquisition of Majesco (Note 5)	-	-	415,000
Shares issued for intangible assets	-	-	1,469,456
Shares issued for licenses	-	-	4,880,639
Shares issued for debt settlements	331,967	634,175	623,771
Warrants issued for share issue costs	338,558	-	24,774
Net assets acquired on RTO (Note 3)	-	-	243,065
Shares issued for commitment to issue shares	137,197	-	156,000
Acquisition of equipment in accounts payable	-	125,143	-
Units issued for conversion of convertible debentures and associated interest	1,121,514	2,040,346	-
Accounts payable applied to convertible debentures	-	23,675	-
Derecognition of investment in associate	-	587,274	-
Loans receivable allocated to long-term	-	379,268	-
Residual value of warrants on conversion of convertible debentures	-	30,779	-
Accounts receivable applied to accounts payable	648,091	-	-

26. CONTINGENCIES

- a) In January 2020, a consultant of the Company filed a lawsuit in the Supreme Court of British Columbia against the Company for approximately \$400,000 for unpaid consulting fees, US\$500,000 for the unpaid cash consideration for the purchase of 51% interest in Majesco, and a payment for the difference between US\$500,000 and the value of the Company's shares issued on the purchase of the 51% interest in Majesco. On August 31, 2020, a settlement agreement had been reached whereby the Company would pay US\$200,000 and transfer the 51% interest in the common shares of Majesco back to the consultant (Note 20). As at November 30, 2020, the Company paid \$260,824 (US\$200,000) in full.
- b) In February 2020, a consultant of the Company filed a lawsuit in the Supreme Court of British Columbia against the Company in relation to the issuance of a share certificate for 59,706 common shares of the Company, 32,149 of which the consultant states is owing to him and general and special damages in relation to the shares. In May 2020, the Company settled this lawsuit for \$68,937 (US\$50,000).

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27. INCOME TAXES

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

	2020	2019	2018
	\$	\$	\$
Loss from continuing operations before income taxes	(5,183,411)	(7,696,577)	(7,576,796)
Profit (loss) from continuing operations before income taxes	(2,813,889)	(91,315)	78,184
Loss before income taxes	(7,997,300)	(7,787,892)	(7,498,612)
Expected income tax expense (recovery) at statutory rates	(2,159,000)	(2,103,000)	(2,025,000)
Change in statutory, foreign tax, foreign exchange rates and other	(63,000)	(44,576)	(75,379)
Permanent difference	563,000	356,000	1,439,000
Impact of deconsolidation	(23,000)	-	-
Share issue cost	(226,000)	-	(132,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(9,000)	(123,000)	-
Change in unrecognized deferred tax assets	1,917,000	1,752,000	795,000
Income tax expense (recovery)	-	(162,576)	1,621
Deferred tax expense (recovery) relating to continuing operations	-	(160,917)	-
Current income tax expense (recovery) relating to discontinued operations	-	1,659	(1,621)

The significant components of the Company's deferred tax liability is as follows:

	2020	2019
	\$	\$
Deferred tax assets (liabilities)		
Intangible assets	-	(23,163)
Capital loss	197,000	-
Investment in associates	(434,000)	(122,000)
Debt with accretion	-	(41,000)
Non-capital losses	237,000	163,000
Net deferred tax liability	-	(23,163)

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27. INCOME TAXES (continued)

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	2020	Expiry Date Range	2019	Expiry Date Range	2018	Expiry Date Range
	\$		\$		\$	
Property and equipment	3,222,000	No expiry date	2,675,000	No expiry date	437,000	No expiry date
Share issue costs	865,000	2020-2024	305,000	2020-2022	414,000	2019-2022
Debt with accretion	122,000	No expiry date	-	No expiry date	-	No expiry date
Investment in associates	-	No expiry date	-	No expiry date	56,000	No expiry date
Allowable capital losses	-	No expiry date	323,000	No expiry date	11,000	No expiry date
Non-capital losses	14,609,000	2026-2040	8,194,000	2026-2039	4,503,000	2026-2038

Tax attributes are subject to review, and potential adjustment, by tax authorities.

28. SEGMENTED INFORMATION

During the years ended November 30, 2020, 2019, and 2018, the Company had two offices: a head-office in Vancouver, BC, and Majesco's office in New York, New York. In evaluating performance, management does not distinguish or group its sales and cost of sales on a geographic basis. During the year ended November 30, 2018, the Company had two reportable operating segments: the investment in the production of films and the investment in video games. During the year ended November 30, 2019, the Company had one reportable operating segment: the investment in video games. Upon the acquisition of the Platform coding (Note 13) during the year ended November 30, 2020, the Company determined it now has two reportable operating segments: the investment in distribution of films and the investment in video games.

Revenue derived in the Company's film and video games segments is earned from a large number of customers located throughout the world. No one customer exceeds 5% of the Company's sales.

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28. SEGMENTED INFORMATION (continued)

Below summarizes the Company's reportable operating segments for year ended November 30, 2020.

	Film	Video Games	Total
	\$	\$	\$
Segment Information			
Revenue	16,587	30,730	47,317
Cost of sales	(56,058)	(707,126)	(763,184)
Operating expenses	(499,144)	(127,155)	(626,299)
Discontinued operations	-	(2,813,889)	(2,813,889)
Segment profit (loss)	(538,615)	(3,617,440)	(4,156,055)
Corporate expenses:			
Operating expenses			(6,918,323)
Other income			3,077,078
Foreign currency translation			(320,925)
Comprehensive loss for the year			(8,318,225)
Capital expenditures	4,464,885	-	4,897,288

Below summarizes the Company's reportable operating segments for the year ended November 30, 2019.

	Film	Video Games	Total
	\$	\$	\$
Segment Information			
Revenue	-	27,109	27,109
Cost of sales	-	(1,837,555)	(1,837,555)
Operating expenses	-	(100,202)	(100,202)
Other expenses	-	195,726	195,726
Discontinued operations	-	(89,656)	(89,656)
Segment loss	-	(1,804,578)	(1,804,578)
Corporate expenses:			
Operating expenses			(5,401,320)
Other expenses			(580,335)
Tax recovery			160,917
Foreign currency translation			12,775
Comprehensive loss for the year			(7,612,541)
Capital expenditures:			
Equipment	-	125,143	125,143

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28. SEGMENTED INFORMATION (continued)

Below summarizes the Company's reportable operating segments for the year ended November 30, 2018.

	Film	Video Games	Total
	\$	\$	\$
Segment Information			
Cost of sales	-	(603,718)	(603,718)
Operating expenses	-	(17,722)	(17,722)
Other expenses	(442,585)	-	(442,585)
Discontinued operations	-	76,563	76,563
Segment loss	(442,585)	(544,877)	(987,462)
Corporate expenses:			
Operating expenses			(1,759,084)
Other expenses			(4,753,687)
Foreign currency translation			398,892
Comprehensive loss for the year			(7,101,341)
Capital expenditures:			
Intangible assets	-	79,808	79,808
Goodwill	-	3,585,883	3,585,883

29. SUBSEQUENT EVENTS

- a) In December 2020, the Company signed an employment agreement with a new CEO of the Company. The agreement requires total payments of \$20,000 per month. Included in the agreement is a provision for a salary increase to \$30,000 per month upon the Company raising US\$5 million in funding and three months written notice or salary paid in lieu of notice upon termination without just cause.
- b) On December 10, 2020, the Company issued 367,084 common shares for the exercise of 367,084 share purchase warrants with an exercise price of US\$1.20 for total proceeds of \$574,457 which were included in commitment to issue shares at November 30, 2020.
- c) On January 1, 2021, the Company granted an officer of the Company 750,715 stock options with an exercise price of US\$1.90 and a term of five years. The options will vest as follows: 107,245 on June 1, 2021, 321,735 on January 1, 2022, and 321,735 on January 1, 2023.
- d) On January 1, 2021, the Company repriced 932,995 stock options with an exercise price of US\$2.55 and 25,000 stock options with an exercise price of US\$2.57 to US\$1.90 per option. All other terms remained unchanged.
- e) On January 14, 2021, the Company granted a consultant of the Company 321,735 stock options with an exercise price of US\$1.90 and a term of five years. The options will vest as follows: 107,245 on January 14, 2021, 107,245 on July 14, 2021, and 107,245 on July 14, 2022.
- f) On January 14, 2021, the Company extended the maturity date of the outstanding convertible debenture by one year to February 26, 2022.
- g) On January 25, 2021, the Company issued 2,984 common shares to a consultant to settle \$10,000 of outstanding accounts payable.

29. SUBSEQUENT EVENTS (continued)

- h) On January 29, 2021, the Company issued 17,907 common shares to a consultant of the Company for advisory services provided to the Company.
- i) In February 2021, the Company issued 130,167 common shares for the exercise of 130,167 share purchase warrants with an exercise price of US\$1.75.
- j) On February 12, 2021, the Company transferred 215,000 treasury shares to a creditor as full and final payment of a Forbearance Agreement (Note 16).
- k) On February 18, 2021, Waterproof commenced an action against the Company in which the Plaintiff claims that the Company misrepresented facts to Waterproof, inducing Waterproof to enter the Amended and Restated Shareholder Agreement (ARSA) with the Company. As a result, Waterproof claims that it has the right to purchase the Waterproof shareholdings from the Company at a fair market value as of May 17, 2019 in accordance with a calculation included in the ARSA. The Company disputes and denies this claim. The action is in its earliest stages and the Company has not had the opportunity to file a response.
- l) On February 12, 2021, the Company extended the expiry date of 346,000 share purchase warrants with an exercise price of US\$1.75 from February 26, 2021 to March 11, 2021 due to the investors being subject to a trading blackout.