West Island Brands

WEST ISLAND BRANDS INC.

(Formerly Matica Enterprises Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

WEST ISLAND BRANDS INC. (Formerly Matica Enterprises Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022 AND 2021
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	September 30, 2022	December 31, 2021
			(Audited)
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	3	**692,772**	203,845
Marketable securities	5	**18,620**	32,585
Accounts receivable		**700,683**	708,336
Sales tax recoverable		**45,819**	140,385
Prepaid expenses	11	**182,120**	215,432
Inventory	6(b)	**686,654**	461,280
Total current assets		**2,326,668**	1,761,863
Security deposits		**111,800**	111,800
Property, plant and equipment		**2,806,745**	3,019,569
Right-of-use assets		**992,680**	1,057,538
Intangible assets		**182,500**	190,000
Investment in Yunify Natural Technologies	7	**1**	1
TOTAL ASSETS		**6,420,394**	6,140,771
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	4(a),11	**1,813,288**	1,123,892
Lease obligations - current		**57,759**	54,083
Mortgage payable	9	**500,000**	500,000
Flow-through renunciation obligations	14	**38,214**	38,214
Total current liabilities		**2,409,261**	1,716,189
Lease obligations - long-term		**1,108,960**	1,152,860
TOTAL LIABILITIES		**3,518,221**	2,869,049
EQUITY			
Share capital	10	**27,044,873**	26,086,373
Contributed surplus	10	**376,300**	351,000
Deficit		**(24,518,513)**	(23,165,308)
Equity attributable to owners of the Company		**2,902,660**	3,272,065
Non-controlling interest		**(487)**	(343)
Total equity		**2,902,173**	3,271,722
TOTAL LIABILITIES AND EQUITY		**6,420,394**	6,140,771

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 4(b), 14 and 15)

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 28, 2022:

/s/ "Boris Ziger" — Director

/s/ "Gurcharn Deol" — Director

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

WEST ISLAND BRANDS INC. (Formerly Matica Enterprises Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	**Three Months Ended September 30,**		Nine Months Ended September 30,	
		2022	2021	**2022**	2021
		$	$	**$**	$
REVENUE					
Gross revenue	20	**1,574,259**	601,967	**4,711,107**	1,653,308
Excise sales tax		**(288,690)**	(113,628)	**(909,033)**	(182,527)
Net revenue		**1,285,569**	488,339	**3,802,074**	1,470,781
Cost of sales	6(b)	**(1,307,761)**	(861,911)	**(3,255,495)**	(1,635,040)
Gross margin before fair value adjustments		**(22,192)**	(373,572)	**546,579**	(164,259)
Unrealized change in fair value of biological assets	6(a)	**-**	(514,395)	**-**	(357,033)
Gross margin		**(22,192)**	(887,967)	**546,579**	(521,292)
GENERAL AND ADMINISTRATIVE EXPENSES					
Depreciation	7,8,11	**95,061**	74,706	**285,182**	130,669
Management and other payroll	15	**110,028**	176,986	**336,100**	384,963
Office and general		**153,678**	132,108	**537,761**	299,722
Professional fees		**94,011**	128,413	**274,549**	308,431
Share-based compensation	13(d),15	**-**	-	**325,300**	372,800
Transfer agent and filing fees		**6,043**	8,384	**24,871**	32,190
Travel, marketing and promotion		**15,120**	2,112	**41,718**	17,378
Total general and administrative expenses		**473,941**	522,709	**1,825,481**	1,546,153
OTHER INCOME (EXPENSES)					
Interest and other income		**21**	203	**69**	6,181
Interest expense	11	**(17,482)**	(18,266)	**(60,551)**	(55,350)
Unrealized (loss) gain on marketable securities	5	**(4,655)**	(18,620)	**(13,965)**	-
Total other income (expenses)		**(22,116)**	(36,683)	**(74,447)**	(49,169)
NET LOSS AND COMPREHENSIVE LOSS		**(518,249)**	(1,447,359)	**(1,353,349)**	(2,116,614)
Net loss and comprehensive loss attributable to:					
Shareholders of the Company		**(518,145)**	(1,446,979)	**(1,353,205)**	(2,116,241)
Non-controlling interest	14	**(104)**	(380)	**(144)**	(373)
NET LOSS AND COMPREHENSIVE LOSS		**(518,249)**	(1,447,359)	**(1,353,349)**	(2,116,614)
LOSS PER SHARE - basic and diluted		**(0.03)**	(0.14)	**(0.09)**	(0.20)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES – basic and diluted		**15,109,029**	10,712,484	**14,319,455**	10,668,864

WEST ISLAND BRANDS INC. (Formerly Matica Enterprises Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Unaudited)
(Expressed in Canadian Dollars)

		Common Shares		Contributed	Non-controlling		
	Notes	**Shares**	**Amount**	**Surplus**	**Interest**	**Deficit**	**Equity**
		#	$	$	$	$	$
Balance, December 31, 2020		10,514,132	25,748,264	683,886	711	(19,034,382)	7,398,479
Private placement units issued for cash, net of issue costs	10(b)	126,984	185,476	-	-	-	185,476
Shares issued for debt and services	10(b)	4,702	8,463	-	-	-	8,463
Share-based compensation	10(d)	-	-	372,800	-	-	372,800
Options exercised	10(d)	66,667	94,170	(44,170)	-	-	50,000
Net loss and comprehensive loss		-	-	-	(373)	(2,116,241)	(2,116,614)
Balance, September 30, 2021		10,712,484	26,036,373	1,012,516	338	(21,150,623)	5,898,604
Balance, December 31, 2021		10,712,484	26,086,373	351,000	(343)	(23,165,308)	3,271,722
Private placement units issued for cash, net of issue costs	10(b)	2,569,200	582,140	-	-	-	582,140
Subscriptions received	10(b)	-	(50,000)	-	-	-	(50,000)
Shares issued for debt and services	10(b)	1,827,345	426,360	-	-	-	426,360
Share-based compensation	10(d)	-	-	25,300	-	-	25,300
Net loss and comprehensive loss		-	-	-	(144)	(1,353,205)	(1,353,349)
Balance, September 30, 2022		15,109,029	27,044,873	376,300	(487)	(24,518,513)	2,902,173

WEST ISLAND BRANDS INC. (Formerly Matica Enterprises Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Unaudited)
(Expressed in Canadian Dollars)

		2022	2021
		$	$
OPERATING ACTIVITIES			
Net loss		**(1,353,349)**	(2,116,614)
Items not involving cash:			
Unrealized loss on marketable securities		**13,965**	-
Unrealized loss in fair value of inventory and biological assets		**-**	1,640,613
Share-based compensation		**25,300**	372,800
Shares issued for debt and services		**426,360**	8,463
Accrued interest income		**-**	-
Depreciation		**285,182**	130,669
		(602,542)	35,931
Changes in non-cash working capital items, net of acquisitions:			
Accounts receivable		**7,653**	(383,620)
Sales tax recoverable		**94,566**	(93,428)
Prepaid expenses		**33,312**	(66,755)
Inventory		**(225,374)**	(399,258)
Biological assets		**-**	(863,284)
Accounts payable and accrued liabilities		**689,396**	475,803
Customer deposits		**-**	(167,350)
Cash (Used in) Operating Activities		**(2,989)**	(1,461,961)
INVESTING ACTIVITIES			
Equipment acquisitions		**-**	(7,950)
Cash (Used in) Provided by Investing Activities		**-**	(7,950)
FINANCING ACTIVITIES			
Units issued for cash		**577,500**	190,476
Issue costs		**(45,360)**	(5,000)
Exercise of options		**-**	50,000
Principal payments on lease obligations		**(40,224)**	(36,891)
Cash Provided by Financing Activities		**491,916**	198,585
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**488,927**	(1,271,326)
CASH AND CASH EQUIVALENTS, beginning of period		**203,845**	1,387,481
CASH AND CASH EQUIVALENTS, end of period		**692,772**	116,155
NON-CASH TRANSACTIONS:			
Shares issued for debt and services	10(b)	**1,865,440**	141,045
SUPPLEMENTAL INFORMATION:			
Interest paid		**60,551**	55,350

1. NATURE OF BUSINESS AND GOING CONCERN

West Island Brands Inc. (Formerly Matica Enterprises Inc.) ("West Island Brands" or the "Company") was incorporated pursuant to the British Columbia Business Corporation Act in November 2007 and is listed on the Canadian Stock Exchange ("CSE") under the symbol WIB, the Frankfurt Stock Exchange and the OTCQB under the symbol MMJFF. The Company's subsidiary, RoyalMax Biotechnologies Inc. ("RoyalMax'), holds a cultivation license, a standard processing license, and a license for sale of marijuana for medical purposes from Health Canada. RoyalMax has also been granted an amendment to its sales license which permits for the sale of cannabis products to all authorized provincial and territorial distributors/retailers. With the amendment to the sales license, the focus of the Company will be on recreational sales of cannabis rather than medical.

The executive offices of the Company are at Suite 1102, 44 Victoria Street, Toronto, ON M5C 1Y2, Canada.

The Company has a net loss of $1,353,349 for the nine months ended September 30, 2022 (2021 - $2,116,614), a deficit of $24,518,513 (December 31, 2021 - $23,165,308) and working capital deficit of ($82,593) (December 31, 2021 - $45,674) which has been funded primarily by the issuance of equity and exercises of equity instruments. The Company does not yet generate enough cash flows from operations and accordingly may need to raise additional funds through future issuance of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will ever attain a profitable level of operations. These conditions indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is uncertain and is dependent upon the success of its ability to grow and sell marijuana and maintaining continued support from its shareholders and creditors. The outcome of these matters cannot be predicted at this time and in the event that they do not occur, the carrying value of the Company's assets may be adversely affected.

The Company's ownership interest in RoyalMax is subject to dispute as disclosed in Notes 4(a) and 14.

These unaudited condensed consolidated interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

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

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on November 28, 2022.

2. BASIS OF PRESENTATION (continued)

Basis of preparation

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, except for specific financial instruments and biological assets measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars.

Consolidation

These condensed consolidated interim financial statements for the nine months ended September 30, 2022 and 2021 include the accounts of West Island Brands, its 99.97% owned subsidiary RoyalMax Biotechnologies Inc. (acquired February 11, 2020), and its wholly owned Canadian subsidiaries 93802601 Quebec Inc. (acquired May 19, 2020), Ravenline Exploration Ltd. (“Ravenline”), Trichome Treats Inc. and 10406619 Canada Inc., and Nevada subsidiary Ravenline USA Ltd. (“Ravenline USA”).

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. Changes in the parent company’s ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). They do not include all of the information required for full IFRS annual financial statements.

Please refer to the December 31, 2021 audited financial statements and accompanying notes for a description of the significant accounting policies used by the Company. The policies set out in the Company’s December 31, 2021 financial statements were consistently applied to all periods presented unless otherwise noted below. These condensed consolidated interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2021.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and effective as of September 30, 2022. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ended December 31, 2022 could result in restatement of these interim consolidated financial statements.

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Impairment
The Company assesses the possibility and amount of any impairment loss or write-down as it relates to its investments and loans receivable. Such estimates and assumptions primarily relate to the timing and amount of future cash flows.

Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

IAS 36 *Impairment of Assets*, requires management to use judgment in determining the recoverable amount of non-financial assets tested for impairment. Judgment is involved in estimating the fair value less the cost to sell or value-in-use of the cash generating units ("CGUs"), including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Valuation of financial instruments
The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its investment in convertible debenture and investments in securities not quoted in an active market or private company investments, and loans receivable. The fair values are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

There are no quoted prices in an active market for the loans receivable or convertible debenture. The Company determines fair value based on its assessment of the current lending market for investments having the same or similar terms, and other available information. The critical assumptions underlying the fair value measurements and disclosures include the market interest rates for similar loans and convertible debentures. The market interest rates were determined taking into consideration similar instruments with corresponding maturity dates, plus a credit adjustment in accordance with the borrower's creditworthiness as well as considering the risk characteristic of the underlying development and the value of the properties that the loans are secured by.

Share-based compensation
Management uses valuation techniques in estimating the fair value of share options granted. The fair value is determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

Contingencies
Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because either it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities are not recognized but are disclosed and described in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. See Note 14.

Determination of control
The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over an entity, exposure or rights of variable returns from its involvement with the entity, and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

Business combination and asset acquisition
In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date, as well as the fair value of consideration paid and contingent consideration payable. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

Useful lives and depreciation or amortization of property, plant and equipment, right-of-use assets and intangible assets with finite lives

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment, right-of-use assets and intangible assets with finite lives, considering industry trends such as technological advancements, past experience, expected use and review of asset useful lives. The Company makes estimates when determining depreciation and amortization methods, which requires taking into account industry trends and company-specific factors. The Company reviews depreciation and amortization methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation and amortization methods and assumptions prospectively.

Discount rate and lease term used in application of IFRS 16
The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Management determines the incremental borrowing rate for each leased asset by taking into account the Company's credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment. To determine the appropriate lease term, management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the assumptions used may have a significant effect on the consolidated financial statements.

Going concern
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Biological assets and inventory
Biological assets, consisting of cannabis plants, are measured at fair value less costs to sell. At the point of harvest, the biological assets are transferred to inventory at fair value less costs to sell. As a result, critical estimates related to the valuation of biological assets are also applicable to inventory. Determining the fair value less costs to sell requires the Company to make assumptions about the expected harvest yield from the cannabis plants, the value associated with each stage of the plants' growth cycle, estimated selling price, processing costs to convert harvested cannabis into inventory and selling costs. The Company's estimates are, by their nature, subject to change.

Inventory is valued at the lower of cost and net realizable value. Determining the net realizable value requires the Company to make assumptions about the estimated selling price in the ordinary course of business, the estimated costs of completion and the estimated variable costs to sell. Determining cost requires the Company to make estimates surrounding capacity and to allocate both direct and indirect costs on a systematic basis.

Refer to Note 6.

New accounting policies

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The following standards were adopted by the Company as of January 1, 2022 and did not have a significant impact on the consolidated financial statements for the nine months ended September 30, 2022:

Amendments to IFRS 9 – The IASB completed the phase 2 amendments that arose from the implementation of IBOR reforms. The amendments provide a practical expedient for modification of a financial contract as well as a series of exemptions from regular, strict rules around hedge accounting. These amendments are effective for annual periods beginning on or after January 1, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IFRS 16 – As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such changes in lease payments in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period in which the event or condition that triggers the reduced payment occurs. These amendments are effective for annual periods beginning on or after June 1, 2020.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")
IAS 37 was amended in May 2020 to clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

IAS 16 Property, Plant and Equipment ("IAS 16")
IAS 16 was amended in May 2020 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The following standards will be effective for annual periods beginning on or after January 1, 2022:

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 12 – In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 10 Consolidated Financial Statements ("IFRS 10") and IAS 28 Investments in Associates and Joint Ventures ("IAS 28")
IFRS 10 and IAS 28 were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 Presentation of Financial Statements ("IAS 1")
IAS 1 was amended in January 2020 to address inconsistences with how entities apply the standard over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. The amendment is effective for annual reporting periods beginning on or after January 1, 2023.

4. ACQUISITIONS

(a) RoyalMax Biotechnologies Inc. ("RoyalMax")

RoyalMax was incorporated on December 15, 2013, under the Quebec Business Corporations Act, and operates mainly in Canada with the objective to sell medical and recreational cannabis.

In February 2020, the Company earned a 65% interest in RoyalMax for funding a cumulative minimum amount of $2,200,000 for the build out of a medical marijuana growing facility located at Dorval, Quebec ("Dorval facility") and for receiving a cultivation license (received in October 2018), and a standard processing license and a license for sale for medical purposes (received in February 2020) from Health Canada.

The Company earned an additional 5% interest for consideration of $800,000 of which $400,000 was due within 30 days of notification of licensing by Health Canada (paid), and $400,000 is due twelve months after commencement of production at the facility ($150,000 paid). The balance of the consideration payable of $250,000 has been included in accounts payable and accrued liabilities as at September 30, 2022 and 2021.

In addition to capital contributions, additional amounts were advanced by the Company to RoyalMax to support RoyalMax's operations. The advances were unsecured, non-interest bearing and due on demand. In November 2020, the Company demanded the repayment of the full balance of $3,270,282. As a result of RoyalMax's failure to repay debts owing to West Island Brands, West Island Brands received an additional 100,000 common shares of RoyalMax in settlement of such debt on November 16, 2020 and increased its interest in RoyalMax from 70% to 99.97%.

(Expressed in Canadian Dollars)

4. ACQUISITIONS (continued)

In February and March 2021, non-controlling interest ("NCI") parties of RoyalMax filed two claims against the Company. Among the allegations, is the claim that West Island Brands was not entitled to receive the additional 5% interest in RoyalMax given that consideration of $400,000 is still outstanding. The NCI party does not believe that the $150,000 paid is part of the $400,000 consideration. The Company believes that the allegations contained in the statements of claims are without merit and is vigorously defending itself. One of the claims has been dismissed by the Superior Court of Quebec. Refer to Note 14 for management's assessment of such claims.

(b) Trichome Treats Inc. and 10406619 Canada Inc. (together as "Trichome")

In May 2019, the Company entered into a share purchase agreement with Trichome, pursuant to which the Company acquired a 100% interest in Trichome for the purpose of acquiring Trichome's recipes, for total consideration of 144,928 common shares of the Company, issuable in four installments. In connection with the share purchase agreement, the Company also entered into a royalty agreement in May 2019 with the original shareholders of Trichome, pursuant to which the Company is required to pay a gross revenue royalty of 0.5% in perpetuity to these original shareholders on any edibles under the purchased brands sold. The Company intended to work with Trichome to produce edible cannabis infused products.

In 2019, the Company issued 72,464 shares, as the first and second installments, valued at $163,043 based on the quoted market price of the Company's shares at the time of issuance. The remaining 72,464 shares are due in two equal installments based upon completion of certain milestones, which include receipt of a license to produce edibles. As at September 30, 2022, the Company has not met the remaining payment milestones yet. The remaining two instalments will be paid and recorded in the financial statements when the milestones are met.

5. MARKETABLE SECURITIES

The Company holds 931,000 shares of Biome Grow Inc. As at September 30, 2022, the quoted market value of these shares was $18,620 (December 31, 2021 - $32,585).

6. BIOLOGICAL ASSETS AND INVENTORY

(a) Biological assets

The Company's biological assets consisted of cannabis plants. The changes in the carrying amounts of the biological assets are as follows:

	$
Balance, December 31, 2020	284,030
Capitalization of production costs	586,404
Unrealized change in fair value of biological assets	100,781
Transferred to inventory upon harvest	(971,215)
Balance, December 31, 2021 and September 30, 2022	-

During 2021, the Company had suspended growing activities and had nil plants at September 30, 2022 (December 31, 2021 – nil plants).

(Expressed in Canadian Dollars)

6. BIOLOGICAL ASSETS AND INVENTORY (continued)

(b) Inventory

	September 30, 2022	December 31, 2021
	$	$
Work-in-process – dry cannabis (i)	303,095	323,312
Finished goods – dry cannabis (i)	351,876	95,338
Supplies and packaging materials	31,683	42,630
Total inventory	686,654	461,280

(i) Dry cannabis

Dry cannabis work-in-process inventory consisted of the following:

	As at September 30, 2022		As at December 31, 2021	
Work-in-process	g	$	g	$
Dry flower	146,882	303,095	450,099	323,312
Dry trim	-	-	-	-
Dry kief	-	-	-	-
		303,095		323,312

Significant inputs

The Company has made the following estimates related to significant inputs in the valuation model:

Significant inputs	**Definition**
Selling price per gram	Estimated net selling price per gram of dry cannabis based on market prices
Harvest yield per plant	Expected grams of dry cannabis to be harvested from a cannabis plant, based on the weighted average historical yields by plant strain
Stage of growth	Weighted average plant age (in weeks) out of the 15-week growing cycle as of the period end date
Processing and selling costs per gram	Estimated processing and selling costs per gram; calculated as processing and selling costs incurred during the period divided by number of grams harvested during the period and expected to be sold in the next year

These inputs are Level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets and inventory in future periods. Management reviews all significant inputs based on historical information obtained as well as based on planned production schedules.

7. INVESTMENT

Investment in Yunify Natural Technologies

In March 2018, the Company signed a definitive agreement with Yunify Natural Technologies (“Yunify”), a privately-held, Quebec based health and personal care research and innovation technology company. The Company has subscribed for a $2,000,000 ($600,000 paid on signing) convertible debenture bearing interest at 12% per annum as amended in March 2019.

7. INVESTMENT (continued)

In March 2019, the Company granted a one-year extension on the debenture maturity with Yunify in exchange for an interest increase from 0.5% per month to 1% per month (12% per annum) retroactive to March 2018. In March 2020, the Company granted an additional one-year extension to extend the maturity date to March 20, 2021 with all the other terms unchanged. The extension of the maturity date did not result in a substantial change in the net present value of future cash flows, and therefore was accounted for as a modification of the convertible debenture with $nil recognized in profit or loss.

The debenture is currently in default, and as at September 30, 2022 and 2021, the investment is being reported at a $1 nominal value based on management's estimate of its fair value.

8. NET SMELTER RETURN ROYALTY

The Company holds a 2% net smelter return royalty ("NSR") on a lithium property in Clayton Valley, Nevada, of which half of the 2% NSR may be purchased for US$500,000.

9. MORTGAGE PAYABLE

In December 2021, the Company took out a $500,000 short-term loan secured by the agricultural property held by 93802601 Quebec Inc.. The annual interest rate of 12% ($60,000) in addition to a finance fee of $15,000, was paid upfront. The mortgage matures on December 16, 2022.

10. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued and outstanding

Shares issued during the year ended December 31, 2021:

In March 2021, the Company closed a private financing for gross proceeds of $190,476 by issuing 126,984 units at $1.50 per unit. Each unit consists of one common share and one warrant exercisable into a common share at $2.625 per share, to March 3, 2026. Share issue costs of $5,000 were paid on closing of this financing.

In March 2021, the Company issued 4,702 common shares to a service provider as a settlement of $8,463 of debt (based on the quoted market price on the date of issuance).

During the year ended December 31, 2021, 66,667 options were exercised for gross proceeds of $50,000, of which 50,000 options were exercised by a senior officer and director for gross proceeds of $37,500.

In November 2021, the Company consolidated its issued and outstanding common shares on the basis of thirty pre-consolidation common shares for every one post-consolidation common share. As a result of this consolidation, the 321,374,513 pre-consolidation shares were consolidated to 10,712,484 post-consolidation shares. The exercise price and the number of common shares issuable under the Company's stock option plan and share purchase warrants were proportionately adjusted based on the ratio of the share consolidation. All comparative information has been adjusted to reflect the share consolidation.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Shares issued during the nine months ended September 30, 2022:

In February 2022, the Company closed a private placement financing for gross proceeds of $627,500 by issuing 2,510,000 units at $0.25 per unit. Each unit consisted of one common share and one warrant exercisable into one common share at $0.25 per share for a period of two years. Finder's fee of $45,360 in cash, 96,000 broker warrants and 59,200 units were paid. The Company received subscription proceeds of $50,000 as at December 31, 2021 which was reflected in equity as subscriptions received.

In March 2022, the Company issued 1,865,440 common shares for bonuses and settlement of debt totaling $466,360 (based on the quoted market price on the date of issuance) of which 900,000 shares ($225,000) were issued to two officers and directors of the Company. During this time, 38,095 shares ($40,000) previously issued for settlement of debt were also cancelled.

(c) Share purchase warrants

During the nine months ended September 30, 2022, 2,510,000 warrants exercisable at $0.25 were issued in relation to the private placement described in Note 4(b). An additional 155,200 warrants with the same terms were issued as finder's fees.

A summary of the changes in the Company's warrants for the nine months ended September 30, 2022 is presented below:

	Number of warrants	Weighted average exercise price
		$
Balance, December 31, 2020	133,333	6.15
Issued	126,984	2.625
Balance, December 31, 2021	260,317	4.43
Issued	2,665,200	0.25
Balance, September 30, 2022	2,925,517	0.62

The following table summarizes the share purchase warrants outstanding and exercisable as at September 30, 2022:

Exercise price	Expiry date	Number of warrants
$ 6.15	10/19/2023	133,333
$ 0.25	1/24/2024	1,128,000
$ 0.25	2/22/2024	1,537,200
$ 2.625	3/3/2026	126,984
		2,925,517

As at September 30, 2022, 2,925,517 warrants (December 31, 2021 – 260,317 warrants) with a weighted average remaining contractual life of 1.44 years (December 31, 2021 – 2.95 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each whole warrant held.

(d) Stock options

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, the exercise price of an option shall not be less than the market price at the time of granting, or as permitted by the policies of the Exchange.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

(d) Stock options (continued)

Options granted are non-transferable and may not exceed a term of five years from the grant date. Vesting is as determined by the directors at the time of grant.

A summary of the changes in the Company's stock options for the nine months ended September 30, 2022 is presented below:

	Number of options	Weighted average exercise price
		$
Balance, December 31, 2020	695,000	1.20
Options granted	1,386,662	0.61
Options exercised	(66,667)	(0.75)
Options cancelled	(945,000)	1.20
Balance, December 31, 2021 and September 30, 2022	1,069,995	0.37

In January 2021, the Company granted 133,333 and 83,333 stock options to two directors and two consultants, respectively. The options are exercisable at a price of $1.50 per share for a period of five years expiring on January 21, 2026.

In February 2021, the Company granted 33,333 stock options to a director. The options are exercisable at a price of $1.50 per share for a period of five years expiring on February 2, 2026.

In June 2021, the Company granted 66,667 stock options to a consultant. The options are exercisable at a price of $1.20 per share for a period of one year expiring on June 15, 2022.

In December 2021, the Company granted 1,069,995 stock options of which 516,665 were granted to four directors and/or officers of the Company. The options are exercisable at a price of $0.37 per share for a period of five years expiring on December 30, 2026.

In May 2022, the Company granted 100,000 stock options to two directors of the Company. The options are exercisable at a price of $0.32 per share for a period of four years expiring in May 2026.

All options granted above vested immediately on the date of grant unless noted otherwise.

The weighted average grant date fair value of stock options granted nine months ended September 30, 2022 was $0.25 (2021 - $0.04).

For purposes of the calculation, the following assumptions were used under the Black-Scholes model:

Issue date	May 12, 2022	December 30, 2021	June 15, 2021	February 2, 2021	January 21, 2021
Share price	$0.32	$0.37	$1.20	$1.50	$1.50
Risk free interest rate	2.83%	1.42%	0.36%	0.46%	0.41%
Expected dividend yield	0%	0%	0%	0%	0%
Expected volatility	140%	140%	140%	140%	140%
Expected life	4 years	5 years	1 year	5 years	5 years

Volatility was estimated based on the historical volatility of the Company for the same time frame as the expected contractual life of the stock options.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

(d) Stock options (continued)

The following table summarizes the options outstanding and exercisable as at September 30, 2022:

Exercise price	Expiry date	Number of options
$ 0.37	12/30/2026	1,069,995
$ 0.32	05/12/2026	100,000
		1,169,995

As at September 30, 2022, 1,169,995 options (December 31, 2021 – 1,069,995) with a weighted average remaining contractual life of 4.2 years (December 31, 2021 – 5 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held.

11. RELATED PARTY TRANSACTIONS

Due to related parties, included in accounts payable and accrued liabilities, comprised of amounts owed to directors and officers as at September 30, 2022 totalling $137,412 (December 31, 2021 - $183,605). These amounts were unsecured, due on demand and non-interest bearing.

As at September 30, 2022, there were $2,000 prepaid expenses paid to a director and officer (December 31, 2021 - $2,000).

Key management compensation:

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made during the nine months ended September 30, 2022 and 2021. Short-term key management compensation for the nine months ended September 30, 2022 and 2021 was as follows:

	2022	2021
	$	$
Director fees	36,000	39,000
Management fees, paid to officers and directors	253,150	234,400
Share-based compensation to officers and directors	175,300	220,938
Total key management compensation	464,450	494,338

See also Notes 4(b), 10, and 15.

During the nine months ended September 30, 2022, the Company paid $53,333 to an employee who is the daughter of an officer of the Company (2021 - $48,000). At September 30, 2022, $nil was owed to this individual (December 31, 2021 – $5,333).

12. MANAGEMENT OF CAPITAL

The Company's objective for capital management is to safeguard its ability to support the Company's normal operating requirement on an ongoing basis and continue the development of its investment in RoyalMax.

The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. As the Company has no practical ability presently to raise money by long term or other debt, all of its capital management is directed towards management of its equity, warrant and option issuances. There is thus very limited flexibility in its capital management. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

There were no changes in capital management for the nine months ended September 30, 2022 and 2021.

13. FINANCIAL INSTRUMENTS AND RISK

The Company has classified its cash and cash equivalents, short-term investments, marketable securities and convertible debenture as FVTPL. Accounts payable and accrued liabilities, mortgage payable and flow-through renunciation obligations are classified as other financial liabilities.

The following table summarizes the carrying values of the Company's financial instruments:

	September 30, 2022	December 31, 2021
	$	$
FVTPL (i)	711,392	236,431
Other financial liabilities (ii)	2,351,502	1,662,106

(i) Cash and cash equivalents, short-term investments, marketable securities and convertible debenture
(ii) Accounts payable and accrued liabilities, mortgage payable and flow-through renunciation obligations

Fair value
As at September 30, 2022, the fair value of the Company's current financial instruments approximate their carrying values because of their short-term nature.

The Company's financial instruments measured at fair value on a recurring basis at are as follows:

At September 30, 2022:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	692,772	-	-	692,772
Marketable securities	18,620	-	-	18,620
Convertible debenture	-	-	1	1

At December 31, 2021:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalents	203,845	-	-	203,845
Marketable securities	32,585	-	-	32,585
Convertible debenture	-	-	1	1

Financial instruments classified as Level 3 are measured at fair value utilizing non-observable market inputs. The net realized gains (losses) and net change in unrealized gains (losses) are recognized in the condensed consolidated interim statements of loss and comprehensive loss.

During the nine months ended September 30, 2022 and 2021, there were no changes in financial instruments classified as Level 3.

Credit risk
Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents and convertible debenture. The carrying amounts of these assets represent the maximum credit exposure.

The Company considers that its cash and cash equivalents have low credit risk because these are held with a financial institution.

13. FINANCIAL INSTRUMENTS AND RISK (continued)

The convertible debenture is measured at FVTPL and valued at $1 nominal value based on management's estimated high credit risk.

For loans receivable, the Company applies the three-stage approach to measure allowance for credit losses, using the expected credit loss impairment approach as required under IFRS 9.

The allowance for credit losses is based on the stage in which the financial instrument falls on the reporting date. The financial instruments migrate through the three stages based on the change in their risk of default since initial recognition. The allowance for credit losses reflects an unbiased, probability-weighted credit loss that considers numerous scenarios based on reasonable and supportable information about past events, current conditions and future forecasts of economic conditions. Forward-looking information is incorporated into the estimation of ECL as necessary.

As at September 30, 2022, the allowance for credit losses on accounts receivable was $nil (December 31, 2021 - $nil).

The ECL impairment model measures the credit losses using the following three-stage approach based on the extent of credit deterioration of the financial assets since initial recognition:

- Stage 1 – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to twelve months ECL is recorded. The ECL is computed using a probability of default occurring over the next twelve months. The 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. For those instruments with a remaining maturity of less than twelve months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a significant increase in credit risk after initial recognition but is not considered to be in default, it is included in stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are in default are included in this stage. Similar to stage 2, the allowance for credit losses captures lifetime ECL.

The determination of whether the ECL on a financial instrument is calculated on a twelve-month period or lifetime basis is dependent on the stage the financial asset falls into at the reporting date. A financial instrument moves across stages based on an increase or decrease in its risk of default at the reporting date compared to its risk of default at initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis.

The measurement of ECL for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

The Company considers a financial instrument to be in default when: (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse like the existence of a general security agreement (if any is held); or (ii) the borrower is past due more than 90 days on any material credit obligation to the Company. The Company classifies a receivable as impaired when, in its opinion, there is a reasonable doubt as to the timely collectability, either in whole or in part, of principal or interest, or the loan is past due greater than 90 days.

13. FINANCIAL INSTRUMENTS AND RISK (continued)

The Company writes off an impaired financial asset, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is after the expected receipts from the realization of collateral. In subsequent periods, recoveries if any, against written off loans are credited to the provision for credit losses in the condensed consolidated interim statements of loss and comprehensive loss.

Liquidity risk
The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's current financial liabilities, except for lease obligations, have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper or similar instruments.

The following table details the expected remaining contractual cash flow requirements at September 30, 2022 for its financial liabilities:

	Less than 6 months	6 months to 1 year	1 to 3 years	Over 3 years
	$	$	$	$
Accounts payable and accrued liabilities	1,813,288	-	-	-
Flow-through renunciation obligations	38,214	-	-	-
Mortgage payable	-	500,000	-	-

Foreign exchange risk
The Company has minimal foreign exchange risk as most of its transactions are in Canadian dollars. Foreign currency transactions are recorded in Canadian dollars based on exchange rates as at the time of the transaction.

Interest rate risk
The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions. The Company does not have any non-fixed rate debt.

14. CONTINGENCIES

The Company may become party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision is recorded in the consolidated financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of any such matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

Claims filed by RoyalMax NCI parties
In 2021, two separate claims were filed by NCI parties of RoyalMax against the Company, disputing among other things, the dilution of their interests in RoyalMax as a result of the debt settlement described in Note 4(a). Among other things, one NCI party also alleged that West Island Brands was not entitled to the additional 5% interest in RoyalMax given the outstanding consideration of $400,000.

14. CONTINGENCIES (continued)

The NCI parties are seeking payment of the $400,000, annulment of the 100,000 RoyalMax common shares issued to West Island Brands, damages in the aggregate amount of $95,000 and West Island Brands's purchase of one NCI party's interest in RoyalMax at the fair market value. One of the two NCI party claims has been dismissed by the Superior Court of Quebec. Given the similarity of the two claims, management believes that the other of the two claims is likewise frivolous and without merit. The Company will aggressively defend itself against these claims, and intends to seek all available remedies under the law.

Claim filed against the Company for trademark infringement
In 2021, the Company was served with a lawsuit claiming trademark infringement. In May 2020, the Company filed for registration name and logo design. Management believes that this lawsuit is without merit. The Company is aggressively defending itself and intends to seek all available remedies under the law.

COVID-19 estimation uncertainty
The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. The Company would be adversely affected by the loss of services of key personnel and restrictions on cross border trade. During 2021, a number of personnel were effected by COVID-19 but did not result in any significant impact on the Company's operations.

Flow-through renunciation obligations
As at September 30, 2022, an estimated amount of $38,214 (2021 - $38,214) remain accrued for the indemnification on unfulfilled commitments in relation to the 2012 flow-through private placement. The outcome of the amount of actual claims and penalties, if any, is contingent on assessments by the Canada Revenue Agency and any subsequent claims by subscribers against the Company.

15. COMMITMENTS

The Company is a party to two management and consulting contracts with two key management officers and directors. These contracts contain clauses requiring additional payments of up to $720,000 to be made upon the occurrence of certain events such as a change of control or termination. As of September 30, 2022, no triggering event has occurred, and the contingent payments have not been reflected in these consolidated financial statements.

The Company is also committed to pay a consultant at a monthly rate of $8,000 in cash for the period from January 2022 to February 2023.