1CM INC.

(Formerly Leviathan Natural Products Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended August 31, 2022 and 2021

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements for the Company have been prepared by management in accordance with the International Financial Reporting Standards. These consolidated financial statements contain estimates based on managements judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee and Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, Clearhouse LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed:	Signed:
Tanvi Bhandari	Linda Marabeti Romano
Chief Executive Officer	Chief Financial Officer

Toronto, Ontario

December 28, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
1CM Inc. (formerly Leviathan Natural Products Inc.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 1CM (formerly Leviathan Natural Products Inc.) (the Company), which comprise the consolidated statements of financial position as at August 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $5,026,566 during the year ended August 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
December 28, 2022

1CM INC. (Formerly Leviathan Natural Products Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31, 2022 AND AUGUST 31, 2021
(Amounts Expressed in Canadian dollars)

		August 31 2022		August 31 2021
Assets				
Current Assets				
Cash	$	2,236,949	$	162,459
Other receivable		208,397		108,286
Inventory (Note 5)		942,148		292,002
Prepaid expenses		82,356		104,804
HST recoverable		-		151,558
		3,469,850		819,109
Investment property (Note 6 and 17)		-		4,425,000
Investment		25,000		25,000
Goodwill and intangibles (Note 7)		18,588,045		107,881
Property, plant & equipment (Note 8)		6,149,707		3,945,135
	$	**28,232,603**	**$**	**9,322,125**
Liabilities				
Current Liabilities				
Accounts payable & accrued liabilities	$	666,515	$	908,470
HST Payable		18,580		-
Income tax payable		132,369		-
Deferred revenue		-		605,670
Current portion of lease liabilities		339,701		-
Current portion of long-term debt (Note 9 and 13)		1,455,254		1,694,841
		2,612,419		3,208,981
Deferred income tax (Note 18)		900,000		-
Lease liabilties		2,079,914		-
Long-term debt (Note 9)		7,259,731		10,566,636
		12,852,064		13,775,617
Non-Controlling Interest (Note 11)		-		(601,868)
Equity				
Share capital (Note 10(a))		55,146,030		31,138,597
Warrants (Note 10(c))		-		2,477,380
Options (Note 10(b))		1,301,270		2,230,123
Deficit		(40,701,065)		(39,417,531)
Accumulated other comprehensive loss		(365,696)		(280,193)
		15,380,539		(3,851,624)
Total shareholders' equity and non-controlling interest		15,380,539		(4,453,492)
	$	**28,232,603**	**$**	**9,322,125**

Going Concern (Note 1), Contingencies (Note 15), Subsequent Events (Note 20)

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

1CM INC. (Formerly Leviathan Natural Products Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (DEFICIT)

FOR THE YEARS ENDING AUGUST 31, 2022 AND 2021

(Amounts Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Warrants	Options	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Equity and Non-Controlling Interest
Balance, August 31, 2020	**84,743,603**	**$ 31,138,597**	**$ 2,477,380**	**$ 1,963,008**	**$ (36,676,401)**	**$ (259,792)**	**$ (1,357,208)**	**$ (244,615)**	**$ (1,601,823)**
Vesting of stock options (Note 10(b))	-	-	-	2,083,900	-	-	2,083,900	-	2,083,900
Stock Options Expired (Note 10(b))				(1,816,785)	1,816,785				
Net and comprehensive loss, continuing operations	-	-	-	-	(4,657,759)	(20,401)	(4,678,160)	(357,253)	(5,035,413)
Net income, discontinued operations	-	-	-	-	99,844		99,844		99,844
Balance, August 31, 2021	**84,743,603**	**$ 31,138,597**	**$ 2,477,380**	**$ 2,230,123**	**$ (39,417,531)**	**$ (280,193)**	**$ (3,851,624)**	**$ (601,868)**	**$ (4,453,492)**
Vesting of stock options (Note 10(b))	-	-	-	1,032,671	-	-	1,032,671	-	1,032,671
Expiry of stock options (Note10(b))	-	-	-	(1,935,236)	1,935,236		-	-	-
Exercise of stock options (Note10(b))	75,000	71,289	-	(26,288)	-	-	45,000	-	45,000
Issuance of shares on exercise of warrants (Note 10(c))	751,666	575,144	(124,144)	-	-	-	451,000	-	451,000
Expiry of warrants (Note10(c))	-	-	(2,353,236)	-	2,353,236	-	-	-	-
Issuance of shares on private placement (Note 10(a))	8,333,333	5,000,000	-	-	-	-	5,000,000	-	5,000,000
Acquisition of interest in subsidiaries	-	-	-	-	(626,903)	-	(626,903)	815,691	188,788
Issuance of shares in OCM Acquisition	500,000	505,000	-	-	-	-	505,000	-	505,000
Issuance of shares in Tirthankar Acquisition	15,750,000	17,577,000	-	-	-	-	17,577,000	-	17,577,000
Issuance of shares as retention bonus	250,000	279,000			-	-	279,000	-	279,000
Net and comprehensive loss, continuing operations	-	-	-	-	(4,999,017)	(85,503)	(5,084,520)	(213,824)	(5,298,344)
Net income, discontinued operations	-	-	-	-	53,914	-	53,914	-	53,914
Balance, August 31, 2022	**110,403,602**	**$ 55,146,030**	**$ -**	**$ 1,301,270**	**$ (40,701,065)**	**$ (365,696)**	**$ 15,380,538**	**$ -**	**$ 15,380,539**

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

1CM INC. (Formerly Leviathan Natural Products Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

(Amounts Expressed in Canadian Dollars)

		2022		2021
Revenue				
Sales	$	842,491	$	341,813
		842,491		341,813
Cost of sales (Note 16)		1,270,088		489,328
		(427,598)		(147,515)
Expenses				
Salaries, wages & consulting fees (Note 13)		810,486		1,162,080
Interest, net (Note 9)		1,741,986		781,924
Consulting fees		35,649		-
Professional fees		425,032		228,611
Office & general		315,352		331,973
Foreign exchange (gain) loss		70		(12)
Travel & promotion		10,783		561
Investor relations & fees		70,636		57,252
Share based compensation (Note 10(b) and Note 13)		1,311,671		2,083,900
Rent		3,925		16,555
Operational and utilities		21,474		70,673
Amortization (Note 8)		528,114		664,745
Amortization of intangible assets		55,278		-
Gain on modification of debt		(9,929)		(1,097,254)
Impairment of property, plant and equipment		-		566,489
Gain on sale of subsidiary (Note 17)		(753,149)		-
		4,567,379		4,867,496
Net loss from continuing operations		(4,994,977)		(5,015,011)
Net income from discontinued operations (Note 17)		53,914		99,844
Net Loss	**$**	**(4,941,063)**	**$**	**(4,915,167)**
Other Comprehensive Loss				
Foreign currency translation		(85,503)		(20,401)
Net Comprehensive Loss	**$**	**(5,026,566)**	**$**	**(4,935,568)**
Net Loss Attributable to:				
Non-controlling interest (Note 11)	**$**	**(213,824)**	**$**	**(357,252)**
Shareholders of the Company	**$**	**(4,727,239)**	**$**	**(4,557,915)**
	$	**(4,941,063)**	**$**	**(4,915,167)**
Weighted Average Number of Common Shares Outstanding – Basic and Diluted (Note 12)		**89,041,180**		**84,743,603**
Basic and Fully Diluted Loss per Share, continuing operations	**$**	**(0.06)**	**$**	**(0.05)**
Basic and Fully Diluted Income per Share, discontinued operations	**$**	**0.00**	**$**	**0.00**

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

1CM INC. (Formerly Leviathan Natural Products Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021
(Amounts Expressed in Canadian Dollars)

	2022	2021
Cash Flow from Operating Activities		
Net loss from continuing operations	$ (4,941,063)	$ (4,915,167)
Add-back (deduct) non-cash items		
Income from discontinued operations for the period	(53,914)	(99,844)
Amortization	597,834	664,745
Amortization of intangible assets	55,278	-
Interest and accretion	1,725,914	820,331
Share based compensation	1,311,671	2,083,900
Impairment of property, plant and equipment	-	566,489
Inventory write-down	35,656	
Gain on debt extinguishment	(9,929)	(1,097,254)
Gain on sale of subsidiary	(753,149)	-
Changes in non-cash working capital:		
Other receivable and prepaids	(28,188)	(38,521)
HST recoverable	80,487	381,261
Deferred revenue	(15,140)	
Inventory	150,401	(292,002)
Accounts payable & accrued liabilities	(394,808)	100,260
	(2,238,950)	(1,825,802)
Cash used in discontinued operations (Note 17)	(288,673)	(169,049)
Cash Flows used in operating activities	(2,527,623)	(1,994,851)
Cash Flow from Financing Activities		
Lease payments	(17,564)	(38,804)
Columbia mortgage payments	(701,586)	(64,699)
Proceeds from private placement	5,000,000	-
Proceeds from warrants and options excercised	496,000	-
Cash consideration on Tirthankar acquisition	(1,800,000)	-
Proceeds from long-term debt	(85,472)	2,407,172
Leviathan CEBA Loan Payment	(40,000)	-
	2,851,378	2,303,669
Cash used in discontinued operations		
Cash Flows from financing activities	2,851,378	2,303,669
Cash Flow from Investing Activities		
Cash acquired from Tirthankar Acquisition	1,671,186	-
Cash paid to acquire Natural Origins SAS	-	(137,303)
Purchase of property, plant & equipment	(218,484)	(13,495)
	1,452,702	(150,798)
Cash used in discontinued operations	298,033	
Cash Flows from investing activities	1,750,735	(150,798)
Increase (decrease) in cash	**2,074,490**	**158,020**
Effect of foreign exchange translation	**-**	**(20,401)**
Cash, Beginning of period	**162,459**	**24,840**
Cash, End of period	**$ 2,236,949**	**$ 162,459**

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of Business

1CM Inc. (formerly Leviathan Natural Products Inc.) (the "Company" or "Leviathan") is a multi-jurisdictional cannabis company, focused on becoming a leader in the Cannabis industry. The Company is focused on expanding its current operations through organic growth and by way of merger and acquisition transactions.

The Company is a publicly traded company incorporated and domiciled in Canada. The Company's registered office is Suite 116, 250 The Esplanade, Toronto, Ontario M5H 4J6. The Company's common shares are listed on the Canadian Securities Exchange under the symbol "EPIC" and on the OTCQB under the symbol "LVCNF".

Going Concern

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

For the year ended August 31, 2022, the Company reported a net loss of $4,941,063 (August 31, 2021 - $4,915,167) and, as at August 31, 2022, had a deficit of $40,701,065 (August 31, 2021 - $39,417,531) and working capital of $857,431 (August 31, 2021 – deficiency of $2,389,872). Management has forecasted that the expected expenditure levels and contracted commitments will exceed the Company's net cash inflows and working capital for the fiscal year 2023 unless further financing is obtained. Additional sources of funding will be required to carry on operations and/or to realize on investment opportunities. The Company's future operations are dependent upon its ability to secure additional funds and to become cash flow positive. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be realized, or such sources of funds will be available or obtained on favourable terms or obtained at all. Historically, the Company has obtained funding from the issuance of common shares, proceeds from the exercise of share purchase warrants, and short- and long-term debt issuances, however, there can be no assurances that the Company will be achieve this. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the consolidated statements of financial position classifications used. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on December 28, 2022.

(b) Basis of presentation and consolidation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value. These consolidated financial statements include the accounts of the Company and its subsidiaries. Additional information on the Company's subsidiaries is provided in Note 11.

(c) Functional and presentation currency

The consolidated financial statements of the Company are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar, except for Leviathan US, which has a US dollar functional currency, and Grupo LCG SAS and Natural Origins SAS, which have a Colombian peso functional currency.

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the consolidated statements of financial position date. Exchange gains and losses on settlement of transactions, and the translation of monetary assets and liabilities other than in functional currency are recorded in the consolidated statements of operations and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Functional and presentation currency - continued

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the Statements of Financial Position at the time the Company becomes a party to the contractual terms and provisions of the financial instrument.

Financial assets

Non-derivative financial assets within the IFRS 9 are classified as "financial assets at fair value" (either as Fair Value through Other Comprehensive Income ("FVTOCI") or as fair value through profit or loss ("FVTPL")), and "financial assets at amortized costs" as appropriate. The Company determines the classification of its financial assets at initial recognition based on the Company's business model and contractual terms of cash flows.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they 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, judgment is required to establish fair values.

Financial assets at FVTPL

Financial assets measured at FVTPL include financial assets management intends to sell and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss. The Company's investment is designated at FVTPL.

Financial assets at FVTOCI

Financial assets measured at FVTOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVTOCI. After initial measurement, investments measured at FVTOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. The Company has no financial assets designated at FVTOCI.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

Impairment of financial assets

The impairment model under IFRS 9 is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial assets subject to impairment are amounts receivable and note receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized. The Company has measured the lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to debtors and other relevant factors.

(d) Financial Instruments

Financial liabilities

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable & accrued liabilities, purchase price payable, and long-term debt, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Financial Instruments - continued

Financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR accretion is included in finance cost in the consolidated statements of earnings (loss).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other income or expense in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of the fair value of financial assets and liabilities.

- Level one includes quoted prices in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

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

	IFRS 9 Classification
Financial assets	
Cash	Amortized cost
Other receivable	Amortized cost
Investment	FVTPL
Financial Liabilities	
Accounts payable	Amortized cost
Long-term debt	Amortized cost

(e) Revenue recognition

The Company earns revenue from the extraction and processing of hemp oil-based products – both through processing its own biomass hemp and proving the same services to its customers. Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contras as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement. Revenue from product sales and the related cost of goods sold are recognized on delivery of goods to the customer. Processing fee revenue is recognized on completion of services.

(f) Property, plant, and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated amortization and accumulated impairment losses. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The costs of the day to day servicing of property, plant and equipment are recognized in the statement of net loss and comprehensive loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Property, plant, and equipment - continued

Amortization

Amortization is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Asset	Basis	Rate
Land	N/A	N/A
Building	Declining Balance	4%
Equipment	Declining Balance	30%
Growing Equipment	Declining Balance	30%

Depreciation of the Company's buildings will begin when the facilities are ready for use.

(g) Intangible assets

Intangible assets are recorded at cost less any accumulated amortization and accumulated impairment losses. Intangible assets acquired through a business combination are measured at fair value at the acquisition date.

Amortization begins when assets become available for use. The estimated useful life, amortization method, and rate are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(h) Investment Property

Investment properties are held to earn rental income or for capital appreciation, or both. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity. Investment properties are initially measured at cost including transaction costs. Transaction costs include various professional fees, land transfer tax and initial leasing commissions to bring the property up to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment properties are recorded at fair value and related gains or losses arising from changes in fair value are recognized in net comprehensive income in the period of change. The determination of fair value is based upon, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions. An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of operations and comprehensive income in the period of retirement or disposal. Gains or losses on the disposal of an investment property are determined as the difference between the net disposal proceeds and the carrying value of the asset on the date of disposal. All property operating expenses in the consolidated statements of operations and comprehensive income pertain to properties which earn rental income. Investment property may also be transferred if the Company changes its use to owner-occupied property in which case the carrying value is transferred to property, plant, and equipment.

(i) Impairment of non-financial assets

The carrying values of non-financial assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. Additionally, the carrying values of goodwill, indefinite life intangibles, and intangibles not yet ready for use are assessed for indications of impairment at the end of every financial reporting period. Events or changes in circumstances which may indicate impairment include: a significant change to the Company's operations, significant decline in performance, or a change in market conditions which adversely affect the Company. The recoverable amount is determined as the higher of the fair value less costs of disposal ("FVLCD") and its value in use ("VIU") based on discounted cash flows.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its FVLCD and its VIU. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(j) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions as at August 31, 2022.

(k) Share-based payment transactions

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, incorporating the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest or actually vested.

(l) Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period excluding contingently issuable or returnable shares. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

(m) Inventories

Inventories consist of finished goods, work-in-process and raw materials and is valued at the lower of cost and net realizable value. Cost is determined using the standard cost method, which is updated regularly to reflect current conditions and approximate cost based on the weighted average formula. Cost of inventories includes cost of purchase (purchase price, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for obsolete, slow moving and defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extend there is a subsequent increase in the net realizable value of the inventory.

(n) Leases

IFRS 16 introduced a single, on-balance sheet accounting model for leases. The Company, as a lessee, has recognized right-of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.
A right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation or impairment losses and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company primarily uses its incremental borrowing rate as the discount rate.
The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.
The Company has furthermore applied judgment to determine the applicable discount rate. The discount rate is based on the Company's incremental borrowing rate and reflects the current market assessments of the time value of money and the associated risks for which the estimates of future cash flows have not been adjusted for.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(o) Non-controlling interests
Non-controlling interest is measured at its proportionate share of the acquirer's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss, for the period, are allocated between non-controlling interest and owners of the parent. Non-controlling interest in subsidiaries must be presented in the statement of financial position within equity, separately from the equity of the owners of the parent.

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

(q)Assets held for sale and discontinued operations
Current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets.
Once classified as held for sale, the assets are not subject to depreciation or amortization. Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

(r) Significant accounting estimates, judgements, and assumptions

The preparation of the financial statements 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 reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key estimate and assumption uncertainties:

<u>Value of investment property</u>

Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are recorded at fair value and related gains or losses arising from changes in fair value are recognized in the statement of operations and comprehensive loss during the reporting period. The fair value is estimated by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

<u>Valuation of inventory</u>

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for obsolete, slow moving and defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extend there is a subsequent increase in the net realizable value of the inventory.

<u>Warrants and stock options</u>

Warrants and stock options are initially valued at fair value, based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the volatility of the share price, expected dividend yield, expected life of the share purchase warrant or stock option and risk-free interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Useful lives and impairment of long-lived assets

Long-lived assets are defined as property, plant, and equipment and intangible assets with finite lives. Depreciation and amortization are dependent upon estimates of useful lives and impairment is dependent upon estimates of recoverable amounts. These are determined through the exercise of judgment and are dependent upon estimates that consider factors such as economic and market conditions, frequency of use, anticipated changes in laws, and technological improvements.

Deferred tax assets

The Company recognizes deferred tax assets only to the extent that it considers it probable that those assets will be recoverable. The Company makes assumptions about when deferred tax assets are probable to reverse, the extent to which it is probable that temporary differences will reverse and whether or not there will be sufficient taxable profits available to realize the tax assets when they do reverse. In making these judgments, the Company continually evaluates the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to consider certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Business combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets and liabilities acquired, the most significant estimates relate to intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Going concern assumption

Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Functional presentation and currency

In determining the functional currency of the parent and its subsidiary, the Company considers the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in each the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

Share-based payments

The Company measures equity-settled share-based payment transactions based on an estimate of the fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case the Company measures the fair value of the goods or services received based on the fair value of the equity instruments granted.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(n) Recent and future accounting pronouncements

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments clarify the requirements relating to determining if a liability should be presented as current or non-current on the statement of financial position. Under this new requirement, the assessment of whether a liability is presented current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment on the Company's financial statements has not yet been determined.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e., a full-cost approach. Such costs include both the incremental costs of the contract (i.e., costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g., contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. The extent of the impact of adoption of this amendment on the Company's financial statements has not yet been determined.

3. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on its financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment/contractual obligations. The Company has deposited its cash with reputable Canadian financial institutions, from which management believes the risk of loss is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at August 31, 2022, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses. Liquidity risk continues to be a key concern in the development of future operations.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and there not currently subject to any significant interest rate risk.

Commodity Price Risk

The ability of the Company to develop its cannabis properties and hemp activities and the future profitability of the Company is directly related to the market price of cannabis and hemp.

(Unaudited – Amounts Expressed in Canadian Dollars)

4. ACQUISITIONS AND SALES

Natural Origins SAS

On August 13, 2021 the Company, through its subsidiary Grupo LCG SAS, acquired 100% of the issued and outstanding shares of Natural Origins SAS for total consideration of 486 million Colombian pesos (CAD$137,303). The only asset owned by Natural Origins SAS were cannabis licenses received from the Colombian Ministry of Health and Social Welfare. Natural Origins SAS was determined not to meet the definition of a business as per IFRS 3 as substantially all of the fair value of Natural Origins SAS was concentrated in one asset: its cannabis licenses. Accordingly, the acquisition was treated as an asset acquisition with the entire amount allocated to the cannabis licenses (Note 7).

One Cannabis Market Inc.

On June 9, 2022, the Company acquired all of the issued and outstanding shares of One Cannabis Market Inc. (“OCM”) for a total consideration of 500,000 common shares of the Issuer (the “OCM Acquisition”). In connection with the OCM Acquisition, the Company granted 500,000 stock options to an Officer of the Company at an exercise price of $1.10 per share, vesting over a two-year period. 250,000 of these stock options expire on June 9, 2025 while the remaining 250,000 stock options expire on June 9, 2026. One Cannabis Market Inc. was determined not to meet the definition of a business as per IFRS 3 as substantially all of the fair value of One Cannabis Market Inc. was concentrated in one asset: its website 1cm.ca and related technology platform. Accordingly, the acquisition was treated as an asset acquisition with the entire amount allocated to the intangible asset.

Tirthankar Entities

On October 25, 2021 the Company entered into a definitive agreement (the **"Tirthankar Agreement"**) to acquire all of the issued and outstanding shares of Tirthankar Ltd. and related companies (the **“Tithankar Entities”**), which is a cannabis retail operator with more than 10 retail stores. On August 31, 2022, the Company completed its acquisition of all the issued and outstanding shares in Tirthankar Ltd. and related companies ("Tirthankar"). Upon closing, the former shareholders of Tirthankar received 15,750,000 common shares of the Company, and immediately following, received repayment on $1.8 million shareholder loan. 1CM Inc. also issued 250,000 common shares to certain employees of the Tirthankar as a retention bonus.

The fair value of the consideration is as follows:

Issuance of 100% interest in Tirthankar Entities	**$17,577,000**

The consideration has been allocated as follows:

Cash and other receivable	$ 1,571,390
Inventory	800,547
Property, plant and equipment	164,306
Lease deposits	49,474
Accounts payable	(189,643)
Right of use assets	2,419,615
Lease liabilities	(2,419,615)
Income tax payable	(132,748)
Deferred tax	(900,000)
Shareholder loan	(1,820,334)
Trade Name	3,298,257
Goodwill	14,735,751
	$17,577,000

Woodstock Biomed Inc.

On August 31, 2022, the Company completed the sale of its 100% interest in Woodstock Biomed Inc. for total consideration of $5,000,000 (the "Woodstock Sale"). The proceeds from the Woodstock Sale are intended to be used for general corporate purposes and working capital needs (Note 17.) Accordingly, the results of Woodstock Biomed Inc have been presented as "discontinued operations" in the statements of loss and comprehensive loss.

(Unaudited – Amounts Expressed in Canadian Dollars)

5. INVENTORY

The components of inventory are as follows:

		August 31, 2022		August 31 2021
Raw material	$	12,341	$	30,281
Packaging		-		261,721
Finished goods		929,807		-
Total	**$**	**942,148**	**$**	**292,002**

6. INVESTMENT PROPERTY

The Company measures the investment property at fair value. The fair value is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The Company last completed a valuation as at August 31, 2021 at a value of $4,425,000. On August 31, 2022, the Company no longer held the investment property as part of the sale of its interest in Woodstock Biomed Inc. (Note 4 and Note 17).

The following is a reconciliation of the carrying value of the Company's investment property:

		2022		2021
Opening balance	$	4,425,000	$	3,984,390
Expenditure recognized in the carrying value		-		280,957
Fair value adjustments		-		159,653
Disposition		(4,425,000)		-
Closing balance	**$**	**-**	**$**	**4,425,000**

7. GOODWILL AND INTANGIBLES

The Company owns three (August 31, 2021 – three) licenses received from the Colombian Ministry of Health and Social Welfare with a cost of $137,303. The licenses are considered to be an intangible asset with a definite life. The licenses are being amortized straight-line over a three-year period which reflects the duration of the license term and have net book value of $49,037 (August 31, 2021 - $107,881).

	Licenses	Technology Platform	Trade Name	Total Intangibles	Goodwill
Cost					
At August 31, 2020	**-**	**-**	**-**	**-**	**-**
Additions	137,303	-	-	**137,303**	-
At August 31, 2021	**137,303**	**-**	**-**	**137,303**	**-**
Additions	-	505,000	-	505,000	-
Additions - Thirthankar acquistion	-	-	3,298,257	3,298,257	14,735,751
At August 31, 2022	**137,303**	**505,000**	**3,298,257**	**3,940,560**	**14,735,751**
Accumulated Amortization					
At August 31, 2020	**-**	**-**	**-**	**-**	**-**
Amortization for the year	29,422	-	-	29,422	-
At August 31, 2021	**29,422**	**-**	**-**	**29,422**	**-**
Amortization for the year	58,844	-	-	58,844	-
At August 31, 2022	**88,266**	**-**	**-**	**88,266**	**-**
Net Book Value					
At August 31, 2021	107,881	-	-	107,881	-
At August 31, 2022	**49,037**	**505,000**	**3,298,257**	**3,852,294**	**14,735,751**

(Unaudited – Amounts Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Building (b)	Right of Use Asset	Machinery Equipment	Furniture	Vehicle	Total
Cost						
At August 31, 2020	**3,132,910**	**101,042**	**1,892,338**	**109,966**	**-**	**5,236,256**
Additions	4,284	-	9,211	-	-	13,495
Impairment (a)	(566,489)	-	-	-	-	(566,489)
At August 31, 2021	**2,570,705**	**101,042**	**1,901,549**	**109,966**	**-**	**4,683,262**
Additions	-	-	218,484	-		218,484
Additions - Thirthankar acquistion	21,898	2,419,616	48,654	67,272	26,483	2,583,922
At August 31, 2022	**2,592,603**	**2,520,658**	**2,168,687**	**177,238**	**26,483**	**7,485,668**
Accumulated Amortization						
At August 31, 2020	**-**	**39,602**	**601**	**3,436**	**-**	**43,639**
Amortization for the year	60,486	38,804	562,459	32,739	-	694,488
At August 31, 2021	**60,486**	**78,406**	**563,060**	**36,175**	**-**	**738,127**
Amortization for the year	52,992	22,636	499,764	22,442	-	597,834
At August 31, 2022	**113,478**	**101,042**	**1,062,824**	**58,617**	**-**	**1,335,961**
Net Book Value						
At August 31, 2021	2,510,219	22,636	1,338,489	73,791	-	3,945,135
At August 31, 2022	**2,479,125**	**2,419,616**	**1,105,862**	**118,621**	**26,483**	**6,149,707**

a) During the year ended August 31, 2021, the Company recorded an impairment of $569,489 on its facility in Tennessee. The impairment was based on the fair value less disposal costs of the Tennessee facility based on assumptions derived from a third-party valuator.

b) The Company's facility in Colombia representing $1,120,562 of land and buildings was not in use during the years ended August 31, 2022 and 2021. Accordingly, no amortization was charged on these assets.

9. LONG-TERM DEBT

The Company's long-term debt agreements are summarized below:

	August 31, 2022	August 31, 2021
Woodstock (a)	$ -	$ 4,403,728
Bridge Loan (b)	7,968,122	6,485,345
Colombia Mortgage (c)	-	701,586
Lease Liability (d)	2,419,615	17,564
Government Loan (e)	32,446	64,892
US Loan (f)	634,088	588,362
Other loans (g)	80,329	-
	$ 11,134,599	$ 12,261,477
Less: current portion	1,794,954	1,694,841
	$ 9,339,645	$ 10,566,636

The current portion amount of $1,794,954 includes $1,455,254 relating to long-term debt balances, and $339,701 relating to current portion of lease liabilities.

The long-term portion amount of $9,339,645 includes $7,259,731 relating to long-term debt balances, and $2,079,914 relating to long-term portion of lease liabilities.

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT - continued

a) Woodstock

The Company has two mortgages of equal rank secured against the facility in Woodstock. Both mortgages bear interest of 7% per annum, compounded monthly. During the year ended August 31, 2021, the mortgages were extended from February 22, 2021 to September 1, 2022, at which the principal balance and any accrued interest will be due and payable. All accrued interest up to February 22, 2021 was capitalized and the interest plus the outstanding principal will pay interest at the rate of 7.00% per annum, calculated and compounded monthly, on the first day of each and every month, in arrears. The mortgage debts were extinguished with the sale of the Company's interest of Woodstock Biomed Inc. as at August 31, 2022 (Note 4 and 17).

		August 31 2022		August 31 2021
Opening balance	$	4,403,728	$	4,070,781
Interest expense		298,065		294,540
Accretion expense		-		38,407
Payments		-		
Debt extinguishment from sale		(4,701,793)		-
Closing balance	**$**	**-**	**$**	**4,403,728**
Less: current portion		-		237,081
Non-current portion	**$**	**-**	**$**	**4,166,647**

b) Bridge Loan

On October 15, 2019 the Company signed an agreement with a shareholder to provide unsecured financing of up to $5,500,000 bearing interest at a rate of ten percent (10%) per annum from the date of each advance, payable three times per year: April 30, August 31, and December 31. The Company may, at its discretion, repay the balance of principal and/or interest owing at any time without penalty. In October 2020, the agreement was increased to $7,500,000. The Company determined that the interest rate was preferential and has discounted the future cash flows at an effective rate of 16%. The resulting discount on initial recognition is recognized directly in equity as a shareholder contribution. In February 2021, the due date was extended to December 31, 2023 with annual interest payments payable on December 31 of each year. Due to the extension of the due date of the loan, a gain on modification was recorded and the Company discounted the future cash flows of the modified loan at an effective rate of 16%. On December 31, 2021, $738,045 of interest payable was capitalized.

		August 31 2022		August 31 2021
Opening balance	$	6,485,345	$	5,234,642
Draws		738,045		1,905,521
Discount		(162,156)		(507,549)
Gain on modification		-		(1,097,254)
Interest expense		796,496		699,093
Accretion expense		848,437		461,413
Payments		(738,045)		(210,521)
Closing balance	**$**	**7,968,122**	**$**	**6,485,345**
Less: current portion		821,165		738,610
Non-current portion	**$**	**7,146,957**	**$**	**5,746,735**

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT - continued

c) Colombia Mortgage

On November 18, 2019 the Company, through its subsidiary Grupo LCG SAS, acquired a farm property located on 22.43 flat acres land in Carmen de Viboral, Colombia. The purchase price for the facility was 3.225 billion Colombian pesos (CAD $1.29 million). The Company paid C$429,000 during the period. A first ranking mortgage is secured against the property with an interest rate of 0.625% per month. The Company discounted the future principal and interest payments using an effective rate of 13.39%. During the year, the Company repaid the remaining principal and has discharged the mortgage loan.

		August 31 2022		August 31 2021
Opening balance	$	701,586	$	723,149
Interest expense		130,802		64,699
Accretion expense		-		18,616
Payments		(832,388)		(64,699)
Effect of changes in foreign exchange rates		-		(40,179)
Closing balance	**$**	**-**	**$**	**701,586**
Less: current portion		-		701,586
Non-current portion	**$**	**-**	**$**	**-**

d) Lease Liability

The following is a reconciliation of the lease liability:

		August 31 2022		August 31 2021
Opening balance	$	17,564	$	56,693
Lease liabilities acquired from Tirthankar		2,419,615		-
Interest expense		418		3,673
Lease payments		(17,982)		(42,802)
Closing balance	**$**	**2,419,615**	**$**	**17,564**
Less: Current portion		339,701		17,564
Non-current portion	**$**	**2,079,914**	**$**	**-**

e) Government Loan

As at August 31, 2022, the Company had a $60,000 (August 31, 2021 - $120,000) loan outstanding from the Canada Emergency Business Account ("CEBA"). The CEBA loan is an interest-free loan provided by the Canadian Government through the Company's bank in the context of the COVID-19 pandemic outbreak to finance operating costs. The CEBA loan had an initial repayment date of December 31, 2022 which was extended to December 31, 2023 on January 12, 2022. The repayment of the CEBA loan on or before December 31, 2023 will result in an aggregate forgiveness of $40,000 of the total $120,000 loan. If the CEBA loan is not repaid by December 31, 2023, it will automatically extend for three additional years with an interest rate of 5%.

		August 31 2022		August 31 2021
Opening balance	$	64,892	$	40,000
Modification of debt		(9,929)		-
Draws		-		80,000
Discount		-		(60,357)
Accretion expense		4,964		5,249
Payments		(27,482)		-
Closing balance	**$**	**32,446**	**$**	**64,892**
Less: Current portion		-		-
Non-current portion	**$**	**32,446**	**$**	**64,892**

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT - continued

f) US Loan

On March 5, 2021, the Company entered into a loan and security agreement with an arm's-length lender for a loan of US$499,000. The loan bears interest at a rate of 12.99% per annum, paid monthly, and is secured against certain assets of Leviathan US. The Loan comes due and payable in full on March 1, 2023. Partially-amortized payments are payable in consecutive monthly installments of US$5,433 on the first day of each month, beginning April 1, 2021.

		August 31 2022		August 31 2021
Opening balance	$	588,362	$	-
Draws		-		629,588
Discount				(52,397)
Interest expense		82,389		40,885
Accretion expense		26,308		11,411
Payments		(62,971)		(41,125)
Effect of changes in foreign exchange rate		-		-
Closing balance	**$**	**634,088**	**$**	**588,362**
Less: current portion		634,088		-
Non-current portion	**$**	**-**	**$**	**588,362**

g) Other loans

In December 2021, the Company entered into loan agreements with two officers of the Company for $27,000 and $8,000. The loans bears interest at a rate of 10% per annum, payable on April 20, 2022, August 31, 2022 and on December 31, 2022. The $27,000 loan issue due and payable in full on December 8, 2022 and the $8,000 loan is due and payable on December 23, 2022. The loans were repaid in April 2022.

		August 31 2022		August 31 2021
Opening balance	$	-	$	-
Loans acquired from Tirthankar		1,880,329		
Draws		35,000		-
Discount		(313)		-
Interest expense		753		-
Accretion expense		313		-
Payment		(1,835,753)		
Closing balance	**$**	**80,329**	**$**	**-**

10. SHARE CAPITAL AND RESERVES

a. Share Capital

Authorized:

Unlimited number of common shares.

Issued and outstanding:

110,403,602 (August 31, 2021 – 84,743,603)

10. SHARE CAPITAL AND RESERVES - continued

Activity:

Fiscal 2022

On March 11, 2022, the Company issued 5,000,000 common shares at a price of $0.60 per common share for gross aggregate proceeds of $3,000,000.

On April 28, 2022, the Company issued 3,333,333 common shares at a price of $0.60 per common share for gross aggregate proceeds of $2,000,000.

On June 9, 2022, the Company issued 500,000 common shares at a price of $1.01 per common share in connection with the acquisition of One Cannanis Market Inc. (Note 4).

One August 31, 2022, the Company issued 15,750,000 common shares at a price of $1.12 per common share in connection with the acquisition of the Tirthankar Entities (Note 4).

On August 31, 2022, the Company issued 250,000 bonus shares at a price of $1.12 per common share to Tirthankar's employees.

During the year ended August 31, 2022, 751,666 warrants were exercised at a price of $0.60 per share (see Note 10(c)).

During the year ended August 31, 2022, 75,000 stock options were exercised at a price of $0.60 per share (see Note 10(b)).

b. Stock options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to qualified directors, officers, employees and consultants of the Company. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued and outstanding common shares.

Activity:

Fiscal 2021

During the year, 5,300,000 options issued to officers, directors and consultants expired.

On March 21, 2021, the company issued 1,000,000 options to an advisory firm with an exercise price of $0.60 and an expiry date of March 21, 2024. 250,000 options vest every three months from the issue date. The value of the options was determined at $348,145 using 90% volatility, 3-year expected life, 0.44% discount rate, 0% expected dividend.

On August 27, 2021, the company issued 5,550,000 options to officers, directors and consultants with an exercise price of $0.65 and an expiry date of August 27, 2024. These options fully vested upon issuance. The value of the options was determined at $1,830,308 using 90% volatility, 3-year expected life, 0.44% discount rate, 0% expected dividend.

The total share-based compensation during the year ended August 31, 2021 is $2,083,900.

Fiscal 2022

The total share-based compensation for the year ended August 31, 2022 is $1,311,671.

On March 21, 2022, the Company issued 2,000,000 stock options to a director. 1,000,000 of the options vest on March 21, 2023 and expire on March 21, 2025. The value of the options was determined at $579,200 using 119% volatility, 3-year expected life, 2.05% discount rate, 0% expected dividend. 1,000,000 of the options vest on March 21, 2024 and expire on March 21, 2026. The value of the options was determined at $634,600 using 118% volatility, 4-year expected life, 2.12% discount rate, 0% expected dividend.

On June 3, 2022, the Company granted the stock options of 1,000,000 Common Shares of the Company to at an exercise price of $0.95 per share. The options vest according to the following schedule: the first 50% of the Stock Options to vest on June 3, 2023, and expire on June 3, 2025. The value of the options was determined at $340,100 using 111% volatility, 3-year expected life, 2.91% discount rate, 0% expected dividend. The remaining 50% to vest on June 3, 2024, and expire on June 3, 2026. The value of the options was determined at $382,900 using 116% volatility, 4-year expected life, 2.94% discount rate, 0% expected dividend. The Stock Options expire two years from the date of vesting.

(Unaudited – Amounts Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES - continued

One June 9, 2022, in connection with the acquisition of One Cannabis Market, the Company authorized the issuance of 500,000 stock options in exercisable at CAD$1.10 per share vesting over 2 years. The first 50% of the Stock Options to vest on June 9, 2023 and expire on June 9, 2026. The value of the options was determined at $167,900 using 111% volatility, 3-year expected life, 3.07% discount rate, 0% expected dividend. The remaining 50% to vest on June 9, 2024 and expire on June 3, 2026. The value of the options was determined at $191,600 using 116% volatility, 4-year expected life, 3.11% discount rate, 0% expected dividend.

A summary of the Company's stock option activity for the period ended August 31, 2022 and the year ended August 31, 2021 is as follows:

	Number of Options	Weighted-Average Exercise Price ($)
Outstanding, August 31, 2020	5,750,000	0.60
Expired	(5,300,000)	0.60
Issued	6,550,000	0.64
Outstanding, August 31, 2021	7,000,000	0.64
Expired	(5,875,000)	0.65
Exercised	(75,000)	0.60
Issued	3,500,000	0.90
Outstanding, August 31, 2022	4,550,000	0.82

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at August 31, 2022 are as follows:

Date of Grant	Exercise Price ($)	Number Outstanding	Number Exercisable	Remaining Life (Years)
May 22, 2019	0.60	50,000	50,000	0.23 - 0.48
Mar 21, 2021	0.60	1,000,000	1,000,000	1.56
Mar 21, 2022	0.82	2,000,000	-	2.56 - 3.56
June 3, 2022	0.95	1,000,000	-	2.76 - 3.76
June 9, 2022	1.10	500,000	-	2.78 - 3.78
		4,550,000	1,050,000	

c. Warrants

Between June 2018 and September 2018, the Company issued 15,000,000 share purchase warrants as part of a $0.50 per unit private placement financing. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $1.00 per common share for 24 months. The Company may require the holders of the Warrants, upon 15 days' notice, to exercise their right to purchase common shares at any time after 120 days from July 9, 2018, if the common shares close at or above $1.50 per common share for 20 consecutive trading days.

The value of a warrant was determined using 90% volatility, 2-year expected life, 1.94% discount rate, 0% expected dividend. The resulting value represented approximately 33% of the value of the Unit with the remaining 67% attributed to the value of the common share within the Unit. The warrants were allocated $2,477,380 of the net proceeds of the financing.

On June 19, 2020, the Company repriced and extended the expiry date of the 15,000,000 share purchase warrants expiring between July 2020 and September 2020. The warrants were repriced from $1.00 to $0.75 and the expiry date extended to December 31, 2020. All other terms of the warrants remain unchanged.

On December 11, 2020, the Company repriced and extended the expiry date of the 15,000,000 share purchase warrants expiring on December 31, 2020. The warrants were repriced from $0.75 to $0.60 and the expiry date extended to December 31, 2021.

During the period ended August 31, 2022, 751,666 warrants were exercised at a price of $0.60 per share and 14,248,334 warrants expired.

(Unaudited – Amounts Expressed in Canadian Dollars)

11. INTEREST IN SUBSIDIARIES

These consolidated financial statements incorporate the activities of the Company's subsidiaries from the date the Company acquires control to the date control is relinquished.

The Company's subsidiaries and relative ownership interests are as follows:

Subsidiary	Domicile	Ownership Interest	Date Control Acquired
Bathurst Resources Corp.	Canada	100%	December 31, 2013
Jekyll and Hyde Brand Builders Inc.	Canada	100%	December 22, 2017
Woodstock Biomed Inc. (Note 17)	Canada	100%	August 14, 2019
Leviathan US, Inc. (100%) (i)	USA	100%	April 15, 2019
LCG Holdings Inc. (100%) (ii)	Canada	100%	August 1, 2019
Grupo LCG SAS	Colombia	100% (iii)	August 21, 2019
Natural Origins SAS	Colombia	100% (iv)	August 17, 2021
One Cannabis Market Inc.	Canada	100%	June 9 2022
T Cannabis NW Inc.	Canada	100%	August 31 2022
Tirthankar Limited	Canada	100 %	August 31 2022
T CANN MGMT CORP.	Canada	100 %	August 31 2022
Cost Cannabis Inc.	Canada	100%	August 31, 2022

(i) During the year ended August 31, 2022, the Company acquired the remaining 10% of Leviathan US, Inc. for US$25,000.

(ii) The Company has established LCG Holdings Inc. as a business venture to cultivate hemp and manufacture cannabidiol ("CBD") isolate and other extracted products in the rich agricultural region of Republic of Colombia, South America. During the year ended August 31, 2022, the Company acquired the remaining 35% of LCG Holdings Inc. for $35.

(iii) A 100% interest of Grupo LCG SAS is held through LCG Holdings Inc.

(iv) A 100% interest of Natural Origins SAS is held through Grupo LCG SAS.

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended August 31, 2022 was based on the net loss attributable to common shareholders of $4,727,239 (August 31, 2021 – $4,557,915) and the weighted average number of common shares outstanding of 89,041,180 (August 31, 2021 – 84,743,603).

13. RELATED PARTY BALANCES AND TRANSACTIONS

The remuneration expense of directors and other members of key management personnel, or companies under their control, are as follows:

For the year ended		August 31 2022		August 31 2021
Salaries, consulting and benefits (a)	$	431,183	$	593,989
Share based compensation		941,096		1,994,811
	$	**1,372,279**	**$**	**2,588,800**

(a) As at August 31, 2022 $34,905 (August 31, 2021 - $156,150) due to directors, officers and shareholders is included in accounts payable and accrued liabilities.

(b) In December 2021, the Company entered into loan agreements with two officers of the Company for $27,000 and $8,000. The loans bear interest at a rate of 10% per annum, payable on April 20, 2022, August 31, 2022 and on December 31, 2022. The $27,000 loan is due and payable in full on December 8, 2022 and the $8,000 loan is due and payable on December 23, 2022. The loans were repaid during the year (see Note 9(g)).

c) As per the terms of the Purchase agreement Tirthankar Entities will pay a fee of up to 1.5% of sales plus $60,000 per annum to a company owned by the CEO of the company, Tanvi Bhandari.

(Unaudited – Amounts Expressed in Canadian Dollars)

13. RELATED PARTY BALANCES AND TRANSACTIONS - continued

d) One Cannabis Market Inc. was majority owned by a company that was owned by an immediate family member of the CEO of the company, prior to its acquisition by the Company.

e) Tirthankar Limited and related companies were acquired from the current CEO of the Company. During the initial execution of the agreement Tanvi Bhandari was not CEO of the company but was appointed as CEO of the company on March 7, 2022 prior to the closing of the transaction.

f) Tirthankar Limited currently leases the properties located at Kenora, Cochrane, and Sioux Lookout from Smiths Falls Property Inc, a company that is wholly owned and controlled by the CEO of the company.

14. OPERATING SEGMENTS

The Company currently has five business segments:

1) Corporate and other, which relates to general public company costs and expenses associated with other subsidiaries with insignificant operations (“Corporate and Other”);
2) Cultivation, processing, and distribution division in Canada, United States & South America (“Cultivation”). As at August 31, 2022, 100% of the Company’s cultivation operations are in the development stage; and
3) Investment Property (“Investment”), which solely relates to the investment property as per Note 6.
4) Distribution, which relates to cannabis retail operations.
5) Marketing, which relates to the technology solutions provided to both consumer and business seeking information in saturated markets, and business looking for single-source software.

The Company manages its reporting segments based on a combination of geographic and operational information as follows:

As at August 31, 2022:

	Corporate	Cultivation				Investment Property	Distribution	Marketing	Total
	Canada	Canada	USA	Colombia	Total Cultivation	Canada	Canada	Canada	
Revenue	$ -	$ -	$ 842,491	$ -	$ 842,491	$ 355,096	-	$ -	$ 1,197,587
Share-based compensation	1,311,671	-	-	-	-	-	-	-	1,311,671
Interest expense, net of discount	1,496,409		109,283	130,802	240,085	298,065	-	5,491	2,040,051
Amortization	-		562,618	55,278	617,896	-	-	23,069	640,965
All other expenses	191,345	42,435	1,737,013	122,772	1,902,219	3,117	-	49,281	2,145,963
Net Loss	**$ (2,999,425)**	**$ (42,435)**	**$ (1,566,423)**	**$ (308,852)**	**$ (1,917,709)**	**$ 53,914**	**-**	**$ (77,841)**	**$ (4,941,063)**
Current Assets	484,869	1,344	389,073	14,952	405,369	-	2,521,207	58,405	3,469,850
Investments	-	-	-	-	-	-	-	25,000	25,000
Investment property	-	-	-	-	-	-	-	-	-
Intangible assets	18,034,008	-	-	49,037	49,037	-		505,000	18,588,045
Property, plant, and equipment	-	-	2,445,223	1,120,562	3,565,786	-	2,583,922	-	6,149,707
Total Assets	**$ 18,518,877**	**$ 1,344**	**$ 2,834,296**	**1,184,551**	**$ 4,020,191**	**$ -**	**$ 5,105,130**	**$ 588,405**	**$ 28,232,602**
					-				
Current liabilities	1,055,655	-	823,471	36,545	860,016	-	698,903	(2,155)	2,612,419
Intercompany payable (receivable)	(11,039,926)	1,147,120	6,668,118	1,979,149	9,794,387	-		1,245,540	-
Long-term debt	7,146,956	-	-	-	-	-	3,060,243	32,446	10,239,645
Total liabilities	**$ (2,837,316)**	**$ 1,147,120**	**$ 7,491,589**	**$ 2,015,694**	**$ 10,654,403**	**$ -**	**$ 3,759,146**	**$ 1,275,831**	**$ 12,852,065**

(Unaudited – Amounts Expressed in Canadian Dollars)

14. OPERATING SEGMENTS – continued

As at August 31, 2021:

	Corporate	Cultivation				Marketing	Total
	Canada	Canada	USA	Colombia	Total Cultivation	Canada	
Revenue	$ -	$ 272,280	$ 341,813	$ -	$ 614,093	$ -	$ 614,093
Share-based compensation	2,083,900	-	-	-	-	-	2,083,900
Interest expense, net of discount	(471,851)	332,945	55,367	86,618	474,929	(23,869)	(20,791)
Amortization	-	-	595,124	29,517	624,640	40,105	664,745
All other expenses	814,741	(122,103)	1,756,178	317,013	1,951,088	35,576	2,801,405
Net Loss	**$ (2,426,790)**	**$ 61,439**	**$ (2,064,855)**	**$ (433,148)**	**$ (2,436,564)**	**$ (51,813)**	**$ (4,915,167)**
Current Assets	178,501	133,596	433,163	12,738	579,496	61,113	819,110
Investments	-	-	-	-	-	25,000	25,000
Investment property	-	4,425,000	-	-	4,425,000	-	4,425,000
License	-	-	-	107,881	-	-	107,881
Property, plant, and equipment	-	-	2,801,503	1,120,562	3,922,065	23,069	3,945,135
Total Assets	**$ 178,501**	**$ 4,558,595**	**$ 3,234,666**	**1,241,181**	**$ 8,926,561**	**$ 109,182**	**$ 9,322,125**
Current liabilities	1,067,613	810,895	427,550	885,358	2,123,803	17,564	3,208,979
Intercompany payable (receivable)	(9,740,252)	2,751,664	5,359,466	960,364	9,071,494	668,758	-
Long-term debt	5,779,181	4,248,905	506,104	-	4,755,009	32,446	10,566,636
Total liabilities	**$ (2,893,458)**	**$ 7,811,464**	**$ 6,293,120**	**$ 1,845,722**	**$ 15,950,306**	**$ 718,768**	**$ 13,775,615**

15. CONTINGENCIES

(a) Woodstock Biomed has been charged under section 24 of the Provincial Offences Act for allegedly violating the Town of Pelham's Cannabis Interim Control Bylaw (ICB). If found guilty under section 67 of the Planning Act there may be a maximum fine of $50,000 for a first conviction, a surcharge to any fine of up to 25% of the fine amount, and, in some cases, a special fine may arise if there was an economic gain obtained due to the violation in an amount of the economic gain. Any potential liability cannot be reliably estimated and no provision has been recorded in these consolidated financial statements.

The Company has initiated legal proceedings against of the Town of Pelham. This litigation, filed through the Ontario Superior Court of Justice, follows the Town of Pelham Council's decision to deny the Company an exemption to its Interim Control By-law (4046), which placed a one-year moratorium on the building of new cannabis facilities and the expansion of existing operations.

The Company, along with two other cannabis companies operating in the Town of Pelham, appealed to the Local Planning Appeal Tribunal regarding the Town of Pelham's amendments to its agricultural zoning by-law and official plan following its land review study of cannabis cultivation and processing issues.

(b) 1CM Inc. and Woodstock are defendants in an action commenced by a former employee in Ontario Superior Court of Justice (Brantford). Pleadings have been exchanged and examinations for discovery have been completed. The Plaintiff will need to set the matter down for trial to proceed. No upcoming court dates are currently scheduled for this matter. The total amount claimed is $80,000.

16. COMPARATIVE INFORMATION

Certain profit and loss items from the prior year have been reclassified for consistency with the current year presentation. The result of these reclassifications did not have an impact on the reported net loss and comprehensive loss for all presented periods.

(Unaudited – Amounts Expressed in Canadian Dollars)

17. DISCONTINUED OPERATIONS

On August 31,2022, the Company entered into a share purchase agreement (the "SPA") to sell all of the outstanding shares of Woodstock Biomed Inc., to Medical Saints Ltd. Under the terms of the SPA, the Company agreed to sell 100% of the securities of Woodstock Biomed Inc. for consideration in the amount of $5,000,000. On August 31, 2022 (the "Closing Date"), the Company closed the sale of Woodstock Biomed Inc. (the "Sale").

Below represents the gain recognized on the sale of Woodstock Biomed Inc. at August 31, 2022:

Proceeds received on disposition		$ 5,000,000
Repayment of long-term debt		(4,701,967)
Cash consideration received		298,033
Carrying amount of net assets distributed		
Cash	2,058	
Accounts receivable	55,053	
Investment property	4,425,000	
Deferred revenue	(235,434)	
Long-term debt	(4,701,833)	455,156
Gain on sale of Woodstock Biomed Inc.	**$**	**753,189**

Results of discontinued operations are as follows for the year ended August 31, 2022, and 2021:

		2022		2021
Revenue				
Deferred rent revenue	$	355,096	$	272,280
Expenses				
Interest expense		298,065		294,539
Operational and utilities		-		37,569
Professional fees		2,815		4,318
Fair value adjustment on investment property		-		(159,653)
General and admin (recovery)		302		(4,338)
Total expenses		301,182		172,436
Net Income from discontinued operations	**$**	**53,914**	**$**	**99,844**

Cash flows from discontinued operations are as follows:

For the year ended August 31,		2022		2021
Cash flows from Operating Activities				
Net Income for the year	$	53,914	$	99,844
Non-cash items:				
Deferred rent revenue		(355,096)		(272,280)
Net change in non-cash working capital items:				
Accounts receivable		65,547		(65,547)
Sales tax receivable		12,509		(3,901)
Prepaid expenses		-		18,759
Accounts payable and accrued liabilities		(65,547)		54,076
Cash provided from operating activities		(288,673)		(169,049)

(Unaudited – Amounts Expressed in Canadian Dollars)

18. INCOME TAXES

	2022	2021
Net loss before recovery of income taxes	(4,941,063)	(4,915,167)
Expected income tax (recovery) expense	(1,309,382)	(1,302,519)
Tax rate changes and other adjustments	-	63,041
Non-deductible expenses	(89,309)	9,586
Stock based compensation	347,593	552,233
Impairment of assets	-	150,861
Change in tax benefits not recognized	1,051,098	526,798
Income tax (recovery)	-	63,041

	2022	2021
Deferred tax assets		
Capital lease obligations	641,198	4,654
Operating tax losses carried forward	-	1,344
	641,198	**5,998**
Deferred tax liabilities		
Trademark	(900,000)	-
Right of use asset	(641,198)	(5,998)
	(1,541,198)	**(5,998)**
Deferred income tax liability	(900,000)	-

Unrecognized Deferred Tax Assets

	2022	2021
Property, plant and equipment	981,028	1,303,828
Investment property	-	629,710
Long-term debt	-	20,000
Investment	376,050	376,050
Share issuance costs	15,242	7,110
Operating tax losses - Canada	9,773,072	9,613,112
Operating tax losses - Foreign	2,054,310	1,722,209
Capital loss carried forward	-	50,000

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

a) Deploy capital to provide an appropriate return on investment to its shareholders;
b) Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
c) Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements or covenants. The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital.

20. SUBSEQUENT EVENTS

a) On September 7, 2022 the Company changed its name from Leviathan Natural Products Inc. to 1CM Inc.

b) On September 15, 2022 the Company changed its ticker on the OTCQB to "MILFF".

c) On October 31, 2022, the Company entered into Letter of Intent (LOI) with Veridia Canada Ltd. (the "Purchaser") regarding its possible sale of all of the issued and outstanding shares in the capital of LCG Holdings Inc (Columbia).

d) On November 9, 2022, the Company closed a private placement financing by issuance of 4M common shares at a purchase price of $1.45 per share for total gross proceeds of up to $5.8M.

e) On November 17, 2022, the Company entered into an assets purchase agreement with Veridia USA LLC and completed the sale of its entire interest in the property located in Leviathan USA (Tennessee US) together with all buildings, structures and equipment situated thereon. Consideration received was $2.5 million USD ($3,332,875 CDN).