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## **1CM INC.**

**(Formerly, Leviathan Natural Products Inc.)**

### **Condensed Interim Consolidated Financial Statements**

**For the Three Months Ended November 30, 2022 and 2021**

*(Unaudited - Expressed in Canadian Dollars)*

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### **Notice to Reader Issued by Management**

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect. The accompanying unaudited condensed interim consolidated financial statements have been prepared and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the unaudited condensed interim consolidated financial statements.

January 30, 2023

**1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

Condensed Interim Consolidated Statements of Financial Position

As at November 30, 2022 and August 31, 2022

(Unaudited – Amounts Expressed in Canadian Dollars)

|  | November 30,<br>2022<br>\$ | August 31,<br>2022<br>\$ |
|--|----------------------------|--------------------------|
| <b>Assets</b>                              |                            |                          |
| <b>Current Assets</b>                      |                            |                          |
| Cash                                       | 3,504,923                  | 2,236,949                |
| Other receivable                           | 16,765                     | 208,397                  |
| Inventory (Note 6)                         | 1,309,842                  | 942,148                  |
| Prepaid expenses                           | 68,140                     | 82,356                   |
|  | <b>4,899,670</b>           | <b>3,469,850</b>         |
| Investment                                 | 25,000                     | 25,000                   |
| Goodwill and intangibles (Note 7)          | 18,469,565                 | 18,588,045               |
| Property, plant and equipment (Note 8)     | 4,292,580                  | 6,149,707                |
|  | <b>27,686,815</b>          | <b>28,232,603</b>        |
| <b>Liabilities</b>                         |                            |                          |
| <b>Current Liabilities</b>                 |                            |                          |
| Accounts payable and accrued liabilities   | 695,296                    | 666,515                  |
| HST payable                                | 92,139                     | 18,580                   |
| Income tax payable                         | 136,380                    | 132,369                  |
| Current portion of lease liabilities       | 359,164                    | 339,701                  |
| Current portion of long-term debt (Note 9) | 725,305                    | 1,455,254                |
|  | <b>2,008,284</b>           | <b>2,612,419</b>         |
| Deferred tax liability                     | 877,500                    | 900,000                  |
| Lease liabilities                          | 2,681,802                  | 2,079,914                |
| Long-term debt (Note 9)                    | 341,270                    | 7,259,731                |
|  | <b>5,908,856</b>           | <b>12,852,064</b>        |
| <b>Equity</b>                              |                            |                          |
| Share capital (Note 10(a))                 | 60,946,030                 | 55,146,030               |
| Options (Note 10(b))                       | 1,728,846                  | 1,301,270                |
| Deficit                                    | (40,341,374)               | (40,701,065)             |
| Accumulated other comprehensive loss       | (555,543)                  | (365,696)                |
| Total shareholders' equity                 | <b>21,777,959</b>          | <b>15,380,539</b>        |
|  | <b>27,686,815</b>          | <b>28,232,603</b>        |

Going Concern (Note 1), Contingencies (Note 14), Subsequent Events (Note 16)

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

**1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

|   | Number of<br>Shares | Share Capital        | Warrants            | Options             | Deficit                | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity | Non-<br>Controlling<br>Interest | Total Equity and<br>Non-Controlling<br>Interest |
|---|---------------------|----------------------|---------------------|---------------------|------------------------|---|----------------------------------|---------------------------------|---|
| <b>Balance, August 31, 2021</b>                         | <b>84,743,603</b>   | <b>\$ 31,138,597</b> | <b>\$ 2,477,380</b> | <b>\$ 2,230,123</b> | <b>\$ (39,417,531)</b> | <b>\$ (280,193)</b>                           | <b>\$ (3,851,624)</b>            | <b>\$ (601,868)</b>             | <b>\$ (4,453,492)</b>                           |
| Vesting of stock options (Note 10(b))                   | -                   | -                    | -                   | 59,159              | -                      | -   | 59,159                           | -                               | 59,159  |
| Issuance of shares on exercise of warrants (Note 10(c)) | 751,666             | 599,973              | (148,973)           | -                   | -                      | -   | 451,000                          | -                               | 451,000   |
| Net and comprehensive loss                              | -                   | -                    | -                   | -                   | (991,007)              | 4,018   | (986,989)                        | (63,911)                        | (1,050,900)                                     |
| <b>Balance, November 30, 2021</b>                       | <b>84,743,603</b>   | <b>\$ 31,138,597</b> | <b>\$ 2,477,380</b> | <b>\$ 2,230,123</b> | <b>\$ (39,417,531)</b> | <b>\$ (280,193)</b>                           | <b>\$ (3,851,624)</b>            | <b>\$ (601,868)</b>             | <b>\$ (4,453,492)</b>                           |
| <b>Balance, August 31, 2022</b>                         | <b>110,403,602</b>  | <b>\$ 55,146,030</b> | <b>\$ -</b>         | <b>\$ 1,301,270</b> | <b>\$ (40,701,065)</b> | <b>\$ (365,696)</b>                           | <b>\$ 15,380,538</b>             | <b>\$ -</b>                     | <b>\$ 15,380,539</b>                            |
| Vesting of stock options (Note 10(b))                   | -                   | -                    | -                   | 435,549             | -                      | -   | 435,549                          | -                               | 435,549   |
| Expiry of stock options (Note 10(b))                    | -                   | -                    | -                   | (7,973)             | 7,973                  | -   | -                                | -                               | -   |
| Issuance of shares on private placement (Note 10(a))    | 4,000,000           | 5,800,000            | -                   | -                   | -                      | -   | 5,800,000                        | -                               | 5,800,000                                       |
| Net and comprehensive loss                              | -                   | -                    | -                   | -                   | 351,718                | (189,847)                                     | 161,871                          | -                               | 161,871   |
| <b>Balance, November 30, 2022</b>                       | <b>114,403,602</b>  | <b>60,946,030</b>    | <b>-</b>            | <b>1,728,846</b>    | <b>(40,341,374)</b>    | <b>(555,543)</b>                              | <b>21,777,958</b>                | <b>-</b>                        | <b>21,777,959</b>                               |

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

**1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

|   | November 30,<br>2022 | November 30,<br>2021  |
|---|----------------------|-----------------------|
| <b>Revenue</b>  |                      |                       |
| Sales   | \$ 7,406,188         | \$ 139,606            |
| Deferred rent revenue   | -                    | 88,531                |
|   | <b>7,406,188</b>     | <b>228,137</b>        |
| Cost of sales   | <b>5,813,092</b>     | <b>170,719</b>        |
|   | <b>1,593,096</b>     | <b>57,418</b>         |
| <b>Expenses</b>   |                      |                       |
| Salaries, wages and consulting fees                                   | 761,435              | 304,246               |
| Interest, net (Note 9)  | 488,700              | 465,380               |
| Consulting fees   | 28,149               | -                     |
| Professional fees   | 138,934              | 52,273                |
| Office and general  | 324,773              | 67,452                |
| Foreign exchange gain   | (7)                  | (904)                 |
| Travel and promotion  | 17,438               | 8,066                 |
| Investor relations and fees   | 19,002               | 15,774                |
| Share-based compensation (Note 10(b))                                 | 435,549              | 59,159                |
| Rent  | 2,830                | 7,914                 |
| Operational and utilities   | 259,599              | 4,966                 |
| Depreciation (Note 8)   | 67,210               | 128,011               |
| Amortization of intangible assets                                     | 118,480              | -                     |
| Gain on disposal of assets (Note 5)                                   | (1,398,214)          | -                     |
|   | <b>1,263,878</b>     | <b>1,112,338</b>      |
| <b>Income (Loss) Before Income Tax Recovery (Expense)</b>             | <b>\$ 329,218</b>    | <b>\$ (1,054,920)</b> |
| Deferred tax recovery   | 22,500               | -                     |
| <b>Net Income (Loss)</b>  | <b>\$ 351,718</b>    | <b>\$ (1,054,920)</b> |
| <b>Other Comprehensive Income (Loss)</b>                              |                      |                       |
| Foreign currency translation  | (189,847)            | 4,019                 |
| <b>Net Comprehensive Income (Loss)</b>                                | <b>\$ 161,871</b>    | <b>\$ (1,050,901)</b> |
| <b>Net Income (Loss) Attributable to:</b>                             |                      |                       |
| Non-controlling interest (Note 11)                                    | \$ -                 | \$ (63,911)           |
| Shareholders of the Company   | \$ 351,718           | \$ (991,009)          |
|   | <b>\$ 351,718</b>    | <b>\$ (1,054,920)</b> |
| <b>Weighted Average Number of Common Shares Outstanding – Basic</b>   | <b>111,336,935</b>   | <b>85,092,284</b>     |
| <b>Basic Income (Loss) per Share</b>                                  | <b>\$ 0.01</b>       | <b>\$ (0.01)</b>      |
| <b>Weighted Average Number of Common Shares Outstanding – Diluted</b> | <b>115,836,935</b>   | <b>85,092,284</b>     |
| <b>Fully Diluted Income (Loss) per Share</b>                          | <b>\$ 0.01</b>       | <b>\$ (0.01)</b>      |

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

**1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

## Condensed Interim Consolidated Statements of Cash Flows

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

|   | November 30,<br>2022<br>\$ | November 30,<br>2021<br>\$ |
|---|----------------------------|----------------------------|
| <b>Cash Flow used in Operating Activities</b>         |                            |                            |
| Net income (loss)                                     | 351,718                    | (1,054,920)                |
| Add-back (deduct) non-cash items                      |                            |                            |
| Depreciation  | 67,210                     | 145,168                    |
| Amortization of intangible assets                     | 118,480                    | -                          |
| Interest and accretion                                | 488,700                    | 414,108                    |
| Share based compensation                              | 435,549                    | 59,159                     |
| Gain on sale of assets                                | (1,398,214)                | -                          |
| Deferred tax recovery                                 | (22,500)                   | -                          |
| Changes in non-cash working capital:                  |                            |                            |
| Other receivable                                      | 191,632                    | 6,923                      |
| Prepaid expenses                                      | 14,216                     | 17,908                     |
| HST payable (recoverable)                             | 73,559                     | (28,393)                   |
| Deferred revenue                                      | -                          | (76,466)                   |
| Inventory   | (570,369)                  | (27,760)                   |
| Accounts payable and accrued liabilities              | (35,670)                   | 33,954                     |
| <b>Cash flows used in operating activities</b>        | <b>(285,689)</b>           | <b>(510,319)</b>           |
| <b>Cash Flow from (used in) Financing Activities</b>  |                            |                            |
| Lease payments  | (91,641)                   | (9,701)                    |
| Proceeds from private placement                       | 5,800,000                  | -                          |
| Repayment of loans payable                            | (7,332,875)                | -                          |
| Proceeds from warrants and options exercised          | -                          | 451,000                    |
| <b>Cash flows from (used in) financing activities</b> | <b>(1,624,516)</b>         | <b>441,299</b>             |
| <b>Cash Flow from (used in) Investing Activities</b>  |                            |                            |
| Proceeds from sale of Leviathan USA assets            | 3,332,875                  | -                          |
| <b>Cash flows from investing activities</b>           | <b>3,332,875</b>           | <b>-</b>                   |
| <b>Increase (decrease) in cash</b>                    | <b>1,422,670</b>           | <b>(69,020)</b>            |
| <b>Effect of foreign exchange translation</b>         | <b>(154,696)</b>           | <b>4,018</b>               |
| <b>Cash, beginning of period</b>                      | <b>2,236,949</b>           | <b>162,459</b>             |
| <b>Cash, end of period</b>                            | <b>3,504,923</b>           | <b>97,457</b>              |

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

# 1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

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## 1. NATURE OF BUSINESS AND GOING CONCERN

### Nature of Business

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

The Company is a publicly traded company incorporated and domiciled in Canada. The Company’s registered office is 625 Cochrane Dr Suite 802, Markham, ON L3R 9R9. The Company’s common shares are listed on the Canadian Securities Exchange under the symbol “EPIC” and on the OTCQB under the symbol “MILFF”.

### Going Concern

These condensed interim 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 three months ended November 30, 2022, the Company reported a net income of \$351,718 (November 30, 2021 – \$1,054,920) and, as at November 30, 2022, had a deficit of \$40,341,374 (August 31, 2022 – \$40,701,065) and working capital of \$2,891,386 (August 31, 2022 – \$857,431). 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 able to achieve this. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These condensed interim 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 condensed interim 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. BASIS OF PREPARATION

### (a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 - *Interim Financial Reporting*, prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements.

These condensed interim consolidated financial statements were approved by the Board of Directors on January 30, 2023.

### (b) Basis of presentation and consolidation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. The Company’s subsidiaries are listed in Note 11.

## **1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

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### **2. BASIS OF PREPARATION - continued**

#### **(c) Functional and presentation currency**

The condensed interim 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.

#### **(d) 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 condensed interim 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:

##### Value of investment property

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.

##### Valuation of inventory

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 extent there is a subsequent increase in the net realizable value of the inventory.

##### Warrants and stock options

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.



## **1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

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### **2. BASIS OF PREPARATION - continued**

#### **(d) Significant accounting estimates, judgements, and assumptions (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 condensed interim 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.

## **1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are akin to the significant accounting policies of the Company's annual audited financial statements for the year ended August 31, 2022.

#### **Recent and future accounting pronouncements**

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

##### *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 consolidated 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 consolidated financial statements has not yet been determined.

### **4. 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 November 30, 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.

## 1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

### 5. ACQUISITIONS AND DISPOSALS

#### 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 Acquisition") 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 an outstanding \$1.8 million shareholder loan. The Company also issued 250,000 common shares to certain employees of the Tirthankar as a retention bonus.

The fair value of the consideration and assets acquired and liabilities assumed are as follows:

|   |                     |
|---|---------------------|
| <b>Issuance of 100% interest in Tirthankar Entities</b> | <b>\$17,577,000</b> |
|---|---------------------|

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          |
|                               | <b>\$17,577,000</b> |

#### 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. Included in Woodstock Biomed Inc. was an investment property amounting to \$4,425,000.

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**5. ACQUISITIONS AND DISPOSALS - continued****Sale of Leviathan USA Assets**

On November 17, 2022, the Company entered into an asset 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 assets, namely buildings, structures and equipment situated thereon and the respective payable balances and mortgages attached to the assets. Consideration received for the disposition of these assets amounted to 3,332,875 (US \$2.5 million). The net assets sold amounted to \$1,899,914 (US \$1,452,649), resulting in a gain on disposal of assets in the amount of \$1,432,961 on the statement of operations and comprehensive loss.

**6. INVENTORY**

As at November 30, 2022, the Company's inventory was comprised of purchased products, only. The components of inventory as at November 30, 2022 and August 31, 2022 are as follows:

|                | November 30,<br>2022 | August 31,<br>2022 |
|----------------|----------------------|--------------------|
| Raw material   | \$ -                 | \$ 12,341          |
| Finished goods | 1,309,842            | 929,807            |
| <b>Total</b>   | <b>\$ 1,309,842</b>  | <b>\$ 942,148</b>  |

**7. GOODWILL AND INTANGIBLES**

The Company's goodwill and intangible assets was comprised of the following:

|                                     | Licenses<br>\$ | Technology<br>Platform<br>\$ | Trade<br>Name<br>\$ | Goodwill<br>\$    | Total goodwill<br>and intangibles<br>\$ |
|-------------------------------------|----------------|------------------------------|---------------------|-------------------|---|
| <b>Cost</b>                         |                |                              |                     |                   |   |
| <b>At August 31, 2021</b>           | <b>137,303</b> | <b>-</b>                     | <b>-</b>            | <b>-</b>          | <b>137,303</b>                          |
| Additions                           | -              | 505,000                      | -                   | -                 | 505,000                                 |
| Additions - Thirthankar acquisition | -              | -                            | 3,298,257           | 14,735,751        | 18,034,008                              |
| <b>At August 31, 2022</b>           | <b>137,303</b> | <b>505,000</b>               | <b>3,298,257</b>    | <b>14,735,751</b> | <b>18,676,311</b>                       |
| Additions                           | -              | -                            | -                   | -                 | -                                       |
| <b>At November 30, 2022</b>         | <b>137,303</b> | <b>505,000</b>               | <b>3,298,257</b>    | <b>14,735,751</b> | <b>18,676,311</b>                       |
| <b>Accumulated Amortization</b>     |                |                              |                     |                   |   |
| <b>At August 31, 2021</b>           | <b>29,422</b>  | <b>-</b>                     | <b>-</b>            | <b>-</b>          | <b>29,422</b>                           |
| Amortization for the year           | 58,844         | -                            | -                   | -                 | 58,844                                  |
| <b>At August 31, 2022</b>           | <b>88,266</b>  | <b>-</b>                     | <b>-</b>            | <b>-</b>          | <b>88,266</b>                           |
| Amortization for the period         | 10,773         | 25,250                       | 82,456              | -                 | 118,480                                 |
| <b>At November 30, 2022</b>         | <b>99,039</b>  | <b>25,250</b>                | <b>82,456</b>       | <b>-</b>          | <b>206,746</b>                          |
| <b>Net Book Value</b>               |                |                              |                     |                   |   |
| At August 31, 2021                  | 107,881        | -                            | -                   | -                 | 107,881                                 |
| At August 31, 2022                  | 49,037         | 505,000                      | 3,298,257           | 14,735,751        | 18,588,045                              |
| <b>At November 30, 2022</b>         | <b>38,264</b>  | <b>479,750</b>               | <b>3,215,801</b>    | <b>14,735,751</b> | <b>18,469,565</b>                       |

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**7. GOODWILL AND INTANGIBLES - continued**

The Company's licenses are comprised of three (August 31, 2022 – three) licenses received from the Colombian Ministry of Health and Social Welfare with a cost of \$137,303. These licenses are considered to be an intangible asset with a definite life and are being amortized straight-line over a three-year period which reflects the duration of the license term.

The Company's technology platform is in relation to the OCM Acquisition (Note 5). The technology platform was determined to be a definite life intangible asset and is being amortized straight-line over a five-year period which reflects the useful life of the asset.

The Company's tradename is in relation to the Tirthankar Acquisition (Note 5). The tradename was determined to be a definite life intangible asset and is being amortized straight-line over a ten-year period, which reflects the useful life of the asset.

The Company's goodwill is in relation to the Tirthankar Acquisition (Note 5). There was no impairment recorded in relation to the goodwill during the three months ended November 30, 2022 (August 31, 2022 - \$nil).

**8. PROPERTY, PLANT AND EQUIPMENT**

|                                    | Land and<br>Building<br>\$ | Right of Use<br>Asset<br>\$ | Machinery<br>Equipment<br>\$ | Furniture<br>and Fixtures<br>\$ | Vehicle<br>\$ | Total<br>\$      |
|------------------------------------|----------------------------|-----------------------------|------------------------------|---------------------------------|---------------|------------------|
| <b>Cost</b>                        |                            |                             |                              |                                 |               |                  |
| <b>At August 31, 2021</b>          | <b>2,570,705</b>           | <b>101,042</b>              | <b>1,901,549</b>             | <b>109,966</b>                  | <b>-</b>      | <b>4,683,262</b> |
| Additions                          | -                          | -                           | 218,484                      | -                               | -             | 218,484          |
| Additions - Tirthankar acquisition | 21,898                     | 2,419,616                   | 48,654                       | 67,272                          | 26,483        | 2,583,922        |
| <b>At August 31, 2022</b>          | <b>2,592,603</b>           | <b>2,520,658</b>            | <b>2,168,687</b>             | <b>177,238</b>                  | <b>26,483</b> | <b>7,485,668</b> |
| Additions                          | -                          | 653,320                     | -                            | -                               | -             | 653,320          |
| Disposals                          | (1,450,471)                | -                           | (2,091,128)                  | (132,774)                       | -             | (3,674,373)      |
| <b>At November 30, 2022</b>        | <b>1,142,132</b>           | <b>3,173,978</b>            | <b>77,559</b>                | <b>44,464</b>                   | <b>26,483</b> | <b>4,464,615</b> |
| <b>Accumulated Amortization</b>    |                            |                             |                              |                                 |               |                  |
| <b>At August 31, 2021</b>          | <b>60,486</b>              | <b>78,406</b>               | <b>563,060</b>               | <b>36,175</b>                   | <b>-</b>      | <b>738,127</b>   |
| Amortization for the year          | 52,992                     | 22,636                      | 499,764                      | 22,442                          | -             | 597,834          |
| <b>At August 31, 2022</b>          | <b>113,478</b>             | <b>101,042</b>              | <b>1,062,824</b>             | <b>58,617</b>                   | <b>-</b>      | <b>1,335,961</b> |
| Amortization for the period        | 219                        | 56,701                      | 1,025                        | 7,279                           | 1,986         | 67,210           |
| Disposals                          | (113,478)                  | -                           | (1,051,657)                  | (64,015)                        | -             | (1,229,150)      |
| <b>At November 30, 2022</b>        | <b>219</b>                 | <b>157,743</b>              | <b>12,192</b>                | <b>1,881</b>                    | <b>-</b>      | <b>172,035</b>   |
| <b>Net Book Value</b>              |                            |                             |                              |                                 |               |                  |
| At August 31, 2022                 | 2,479,125                  | 2,419,616                   | 1,105,863                    | 118,621                         | 26,483        | 6,149,707        |
| <b>At November 30, 2022</b>        | <b>1,141,913</b>           | <b>3,016,235</b>            | <b>65,367</b>                | <b>42,583</b>                   | <b>26,483</b> | <b>4,292,580</b> |

The Company's has a facility in Colombia representing \$1,120,562 of land and buildings which were not in use during the three months ended November 30, 2022 and year ended August 31, 2022. Accordingly, no amortization has been charged on these assets to date.

During the three months ended November 30, 2022, the Company disposed of its property, plant and equipment through an asset sale of Verdia USA, LLC (Note 5).

During the three months ended November 30, 2022, the Company entered into additional long-term lease agreements.

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**9. LONG-TERM DEBT**

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

|                       | November 30,<br>2022 | August 31,<br>2022 |
|-----------------------|----------------------|--------------------|
| Woodstock (a)         | \$ -                 | \$ -               |
| Bridge Loan (b)       | 1,032,834            | 7,968,122          |
| Colombia Mortgage (c) | -                    | -                  |
| Lease Liability (d)   | 3,040,966            | 2,419,615          |
| Government Loan (e)   | 33,741               | 32,446             |
| US Loan (f)           | -                    | 634,088            |
| Other loans (g)       | -                    | 80,329             |
|                       | \$ 4,107,541         | \$ 11,134,599      |
| Less: current portion | 1,084,469            | 1,794,954          |
|                       | \$ 3,023,072         | \$ 9,339,645       |

The current portion amount of \$1,084,469 includes \$725,305 relating to long-term debt balances, and \$359,164 relating to current portion of lease liabilities.

**a) Woodstock**

The Company has two mortgages of equal rank secured against the facility in Woodstock. Both mortgages were interest bearing at 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 would be due and payable. All accrued interest up to February 22, 2021 was capitalized and the interest plus the outstanding principal would 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. These mortgages were extinguished with the sale of the Company's interest of Woodstock Biomed Inc. during the year ended August 31, 2022. Accordingly, the Company has no obligations associated with these mortgages as at November 30, 2022 (Note 5).

**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 (the "Bridge Loan") 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, at its discretion, is able to repay the balance of principal and/or interest owing of the Bridge Loan at any time without penalty. In October 2020, the Bridge Loan was increased to \$7,500,000. The Company determined that the interest rate provided as part of the Bridge loan was preferential and discounted the future cash flows at an effective rate of 16% per annum. The resulting discount on initial recognition was recognized directly in equity as a shareholder contribution. In February 2021, the due date of the Bridge Loan was extended to December 31, 2023 with annual interest payments payable on December 31 of each respective year. Due to the extension of the due date of the Bridge Loan, a gain on modification was recorded and the Company discounted the future cash flows of the modified Bridge Loan at an effective rate of 16%. On December 31, 2021, \$738,045 of the interest payable was capitalized. During the three months ended November 30, 2022, the Company repaid a significant portion of the Bridge Loan as a result of the sale of its assets held in Verdia USA, LLC (Note 5).

|                            | November 30,<br>2022 | August 31,<br>2022  |
|----------------------------|----------------------|---------------------|
| Opening balance            | \$ 7,968,122         | \$ 7,146,957        |
| Draws                      | -                    | 738,045             |
| Discount                   | -                    | (162,156)           |
| Interest expense           | 178,612              | 796,496             |
| Accretion expense          | 218,976              | 848,437             |
| Payments                   | (7,332,875)          | (738,045)           |
| <b>Closing balance</b>     | <b>\$ 1,032,835</b>  | <b>\$ 7,968,122</b> |
| Less: current portion      | 725,305              | 725,305             |
| <b>Non-current portion</b> | <b>\$ 307,530</b>    | <b>\$ 7,146,957</b> |

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**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%, which was determined to be the market rate of borrowing a similar property in Columbia. During the year ended August 31, 2022, the Company repaid the remaining principal balance in the amount of \$832,888 and discharged the mortgage. Accordingly, the Company has no obligations associated with this mortgage as at November 30, 2022.

**d) Lease Liability**

The following is a reconciliation of the Company's lease liabilities as at November 30, 2022 and August 31, 2022:

|  | <b>November 30,<br/>2022</b> | <b>August 31,<br/>2022</b> |
|--|------------------------------|----------------------------|
| Opening balance                                    | \$ 2,419,615                 | \$ 17,564                  |
| Additions from the Tirthankar Acquisition (Note 5) | -                            | 2,419,615                  |
| Additions during the period                        | 653,320                      | -                          |
| Interest expense                                   | 58,972                       | 418                        |
| Lease payments                                     | (91,641)                     | (17,982)                   |
| <b>Closing balance</b>                             | <b>\$ 3,040,966</b>          | <b>\$ 2,419,615</b>        |
| Less: Current portion                              | 359,164                      | 339,701                    |
| <b>Non-current portion</b>                         | <b>\$ 2,681,802</b>          | <b>\$ 2,079,914</b>        |

**e) Government Loan**

As at November 30, 2022, the Company had a \$60,000 (August 31, 2022 - \$60,000) 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 \$20,000 of the total \$60,000 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%.

|                            | <b>November 30,<br/>2022</b> | <b>August 31,<br/>2022</b> |
|----------------------------|------------------------------|----------------------------|
| Opening balance            | \$ 32,446                    | \$ 64,892                  |
| Modification of debt       | -                            | (9,929)                    |
| Draws                      | -                            | -                          |
| Discount                   | -                            | -                          |
| Accretion expense          | 1,294                        | 4,964                      |
| Payments                   | -                            | (27,482)                   |
| <b>Closing balance</b>     | <b>\$ 33,740</b>             | <b>\$ 32,446</b>           |
| Less: Current portion      | -                            | -                          |
| <b>Non-current portion</b> | <b>\$ 33,740</b>             | <b>\$ 32,446</b>           |

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### 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. This 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. During the three months ended November 30, 2022 the Company sold all the assets of Veridia USA, LLC (Note 5) and accordingly, does not have an obligations related to this loan.

|  | November 30,<br>2022 | August 31,<br>2022 |
|--|----------------------|--------------------|
| Opening balance                            | \$ 588,362           | \$ 588,362         |
| Draws                                      | -                    | -                  |
| Discount                                   | -                    | -                  |
| Interest expense                           | 21,999               | 82,389             |
| Accretion expense                          | 7,486                | 26,308             |
| Payments                                   | (617,847)            | (62,971)           |
| Effect of changes in foreign exchange rate | -                    | -                  |
| <b>Closing balance</b>                     | <b>\$ -</b>          | <b>\$ 634,088</b>  |
| Less: current portion                      | -                    | 634,088            |
| <b>Non-current portion</b>                 | <b>\$ -</b>          | <b>\$ -</b>        |

#### 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. The total amount outstanding for the other loans as at November 30, 2022 amounted to \$nil (August 31, 2022 – \$80,329).

### 10. SHARE CAPITAL AND RESERVES

#### a. Share Capital

##### Authorized:

Unlimited number of common shares.

##### Issued and outstanding:

114,403,602 (August 31, 2022 – 110,403,602)

##### Three months ended November 30, 2022

On November 9, 2022, the Company closed a private placement financing by issuance of 4,000,000 common shares at a purchase price of \$1.45 per share for total gross proceeds of \$5,800,000.

##### 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 Cannabis Market Inc. (Note 4).



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### 10. SHARE CAPITAL AND RESERVES (continued)

On 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 5).

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:

The total share-based compensation for the three months ended November 30, 2022 amounted to \$435,549 (November 30, 2021 – \$59,159) related to the activity detailed below:

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.

On 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 November 30, 2022 and the year ended August 31, 2022 is as follows:

|                                | Number of<br>Options | Weighted-Average<br>Exercise Price (\$) |
|--------------------------------|----------------------|---|
| 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                                    |
| Expired                        | (25,000)             | 0.60                                    |
| Exercised                      | -                    | -                                       |
| Issued                         | -                    | -                                       |
| Outstanding, November 30, 2022 | 4,525,000            | 0.82                                    |

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**10. SHARE CAPITAL AND RESERVES - continued**

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at November 30, 2022 are as follows:

| Date of Grant | Exercise Price (\$) | Number Outstanding | Number Exercisable | Remaining Life (Years) |
|---------------|---------------------|--------------------|--------------------|------------------------|
| May 22, 2019  | 0.60                | 25,000             | 25,000             | 0.23-0.48              |
| Mar 21, 2021  | 0.60                | 1,000,000          | 1,000,000          | 1.31                   |
| Mar 21, 2022  | 0.82                | 2,000,000          | -                  | 2.35 - 3.35            |
| June 3, 2022  | 0.95                | 1,000,000          | -                  | 2.55 - 3.55            |
| June 9, 2022  | 1.10                | 500,000            | -                  | 2.57 - 3.57            |
|               |                     | 4,525,000          | 1,025,000          |                        |

**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.

# 1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

### 11. INTEREST IN SUBSIDIARIES

These condensed interim 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     |
| 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. 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 three months ended            | November 30,<br>2022 | November 30,<br>2021 |
|---------------------------------------|----------------------|----------------------|
| Salaries, consulting and benefits (a) | \$ 80,000            | \$ 168,000           |
|                                       | <b>\$ 80,000</b>     | <b>\$ 168,000</b>    |

(a) As at November 30, 2022, \$32,000 (August 31, 2022 - \$34,905) 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. As at November 30, 2022, the total amount earned in relation to this agreement amounted to \$122,191 (November 30, 2021 - \$Nil).

(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.

## **1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)**

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2022 and 2021

(Unaudited – Amounts Expressed in Canadian Dollars)

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### **13. OPERATING SEGMENTS**

Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct and the operating results are regularly reviewed by the chief operating decision maker (“CODM”) for the purposes of resource allocation decisions and assessing its performance. Reportable segments are Operating segments whose revenues or profit/loss or total assets exceed ten percent or more of those of the combined entity. Key measures used by the CODM to assess performance and make resource allocation decisions include revenues, gross profit and net (loss) income. The Company’s business activities are conducted through its main operating segment, cannabis. Management’s focus is to generate revenue through retail cannabis sales.

### **14. CONTINGENCIES**

(a) The Company’s previously wholly-owned subsidiary, Woodstock Biomed Inc. was involved in legal proceedings against the Town of Pelham. The Company disposed of Woodstock Biomed on August 31, 2022 (Note 5), and accordingly, the Company does not believe there is any liability associated with these legal proceeds as it has no longer holds an ownership interest in this subsidiary.

(b) 1CM Inc. and Woodstock Biomed Inc. 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. The Company believes that due to the disposition of Woodstock Biomed Inc., there is no liability attributable to the Company.

### **15. 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.

### **16. SUBSEQUENT EVENTS**

On January 20, 2023, the Company entered into a strategic agreement with Greenline POS, a subsidiary of Blaze Solutions Inc.