1CM INC.

(Formerly, Leviathan Natural Products Inc.)

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended February 28, 2023 and 2022

(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.

May 1, 2023

1CM INC. (FORMERLY, LEVIATHAN NATURAL PRODUCTS INC.)
Condensed Interim Consolidated Statements of Financial Position
As at February 28, 2023 and August 31, 2022
(Unaudited – Amounts Expressed in Canadian Dollars)

	February 28, 2023 $	August 31, 2022 $
Assets		
Current Assets		
Cash	**3,087,567**	2,236,949
Other receivable	**51,707**	208,397
Inventory *(Note 6)*	**1,351,179**	942,148
Sales tax receivable	**82,203**	-
Prepaid expenses	**69,829**	82,356
	4,642,485	3,469,850
Investment	**25,000**	25,000
Goodwill and intangibles *(Note 7)*	**18,657,060**	18,588,045
Property, plant and equipment *(Note 8)*	**5,383,312**	6,149,707
	28,707,857	28,232,603
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**755,350**	666,515
Sales tax payable	**-**	18,580
Income tax payable	**-**	132,369
Current portion of lease liabilities	**469,850**	339,701
Current portion of long-term debt *(Note 9)*	**782,044**	1,455,254
	2,007,244	2,612,419
Deferred tax liability	**855,000**	900,000
Lease liabilties *(Note 9)*	**3,699,027**	2,079,914
Long-term debt *(Note 9)*	**416,893**	7,259,731
	6,978,164	12,852,064
Equity		
Share capital *(Note 10(a))*	**60,946,030**	55,146,030
Options (*Note 10(b))*	**2,164,395**	1,301,270
Accumulated deficit	**(40,824,854)**	(40,701,065)
Accumulated other comprehensive loss	**(555,878)**	(365,696)
Total shareholders' equity	**21,729,693**	15,380,539
Total liabilities and shareholders' equity	**28,707,857**	28,232,603

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

Approved on behalf of the Board:

"Lucas Leone", Director
(signed)

"Tanvi Bhandari", Director
(signed)

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 Six Months Ended February 28, 2023 and 2022
(Unaudited – Amounts Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Warrants	Options	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Equity and Non-Controlling Interest
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))	-	-	-	86,673	-	-	86,673	-	86,673
Expiry of stock options (Note 10(b))	-	-	-	(64,464)	64,464	-	-	-	-
Issuance of shares on exercise of warrants (Note 10(c))	751,666	575,144	(124,144)	-	-	-	451,000	-	451,000
Expiry of warrants (Note 10(c))	-	-	(2,353,236)	-	2,353,236	-	-	-	-
Net loss and comprehensive loss	-	-	-	-	(2,057,452)	9,634	(2,047,818)	(136,312)	(2,184,129)
Balance, February 28, 2022	**85,495,269**	**31,713,741**	**-**	**2,252,332**	**(39,057,283)**	**(270,559)**	**(5,361,769)**	**(738,180)**	**(6,099,948)**
Balance, August 31, 2022	**110,403,602**	**$ 55,146,030**	**$ -**	**$ 1,301,270**	**$ (40,701,065)**	**$ (365,696)**	**$ 15,380,538**	**$ -**	**$ 15,380,539**
Vesting of stock options (Note 10(b))	-	-	-	871,098	-	-	871,098	-	871,098
Expiry of stock options (Note10 (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 loss and comprehensive loss	-	-	-	-	(131,762)	(190,182)	(321,944)	-	(321,944)
Balance, February 28, 2023	**114,403,602**	**60,946,030**	**-**	**2,164,395**	**(40,824,854)**	**(555,878)**	**21,729,692**	**-**	**21,729,693**

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 and Six Months Ended February 28, 2023 and 2022
(Unaudited – Amounts Expressed in Canadian Dollars)

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	**Six Months Ended February 28, 2023**	Six Months Ended February 28, 2022
	$	$	**$**	$
Revenue				
Sales	**7,693,225**	241,091	**15,099,413**	380,697
Deferred rent revenue	**-**	59,702	**-**	148,233
	7,693,225	300,793	**15,099,413**	528,930
Cost of sales	**5,970,039**	320,068	**11,783,131**	490,787
	1,723,186	(19,275)	**3,316,282**	38,143
Expenses				
Salaries, wages and consulting fees	**594,524**	308,953	**1,355,959**	613,199
Interest, net *(Note 9)*	**225,765**	467,794	**714,465**	933,174
Professional fees	**131,678**	114,968	**270,612**	167,241
Office and general	**449,138**	47,252	**819,498**	122,770
Foreign exchange gain	**-**	2	**(7)**	(902)
Investor relations and fees	**12,578**	19,228	**31,580**	35,002
Share-based compensation *(Note 10(b))*	**435,549**	27,514	**871,098**	86,673
Operational and utilities	**233,015**	4,812	**495,444**	17,692
Depreciation *(Note 8)*	**128,944**	129,047	**196,154**	257,058
Amortization of intangible assets *(Note 7)*	**147,755**	-	**266,235**	-
Gain on disposal of assets and acquisition *(Note 5)*	**(129,780)**	-	**(1,527,994)**	-
	2,229,166	1,119,570	**3,493,044**	2,231,907
Loss Before Income Tax Recovery	**(505,980)**	(1,138,845)	**(176,762)**	(2,193,764)
Deferred tax recovery	**22,500**	-	**45,000**	-
Net Loss	**(483,480)**	(1,138,845)	**(131,762)**	(2,193,764)
Other Comprehensive Loss				
Foreign currency translation	**(335)**	5,616	**(190,182)**	9,634
Net Comprehensive Loss	**(483,815)**	(1,133,229)	**(321,944)**	(2,184,130)
Net Loss Attributable to:				
Non-controlling interest *(Note 11)*	**-**	(72,400)	**-**	(136,312)
Shareholders of the Company	**(483,480)**	(1,066,445)	**(131,762)**	(2,057,452)
	(483,480)	(1,138,845)	**(131,762)**	(2,193,764)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**114,403,602**	85,495,269	**112,856,641**	85,292,663
Basic and Diluted Loss per Share	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.02)

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 Six Months Ended February 28, 2023 and 2022
(Unaudited – Amounts Expressed in Canadian Dollars)

	February 28, 2023	February 28, 2022
	$	$
Cash Flow used in Operating Activities		
Net income (loss)	**(131,762)**	(2,193,764)
Add-back (deduct) non-cash items		
Depreciation	**196,154**	286,852
Amortization of intangible assets	**266,235**	-
Interest and accretion	**714,465**	846,046
Share based compensation	**871,098**	86,673
Gain on sale of assets	**(1,527,994)**	-
Deferred tax recovery	**(45,000)**	-
Changes in non-cash working capital:		
Other receivable	**156,690**	6,725
Prepaid expenses	**12,527**	5,418
HST payable (recoverable)	**(18,580)**	58,416
Deferred revenue	**-**	(148,233)
Inventory	**(611,706)**	(57,391)
Accounts payable and accrued liabilities	**88,835**	528,047
Cash flows used in operating activities	**(29,038)**	(581,211)
Cash Flow from (used in) Financing Activities		
Lease payments	**(292,537)**	(17,121)
Proceeds from private placement	**5,800,000**	-
Repayment of loans payable	**(7,332,875)**	-
Proceeds from related party loans and long-term debt	**-**	35,000
Proceeds from warrants and options excercised	**-**	451,000
Cash flows from (used in) financing activities	**(1,825,412)**	468,879
Cash Flow from (used in) Investing Activities		
Acquisitions	**(445,000)**	-
Proceeds from sale of Leviathian USA assets	**3,332,875**	-
Cash flows from investing activities	**2,887,875**	-
Increase (decrease) in cash	**1,033,425**	(112,332)
Effect of foreign exchange translation	**(182,807)**	9,634
Cash, beginning of period	**2,236,949**	162,459
Cash, end of period	**3,087,567**	59,761

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

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 and six months ended February 28, 2023, the Company reported a net loss of $483,480 and $131,762 respectively (February 28, 2022 – $1,138,845 and $2,193,764, respectively) and, as at February 28, 2023, had a deficit of $40,824,854 (August 31, 2022 – $40,701,065) and working capital of $2,635,241 (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 next 12 months 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 through issuances of short-term and long-term debt, 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 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 condensed interim 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 and should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2022.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 1, 2023.

2. BASIS OF PREPARATION (continued)

(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.

(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 extend 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.

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.

2. BASIS OF PREPARATION (continued)

(d) Significant accounting estimates, judgements, and assumptions (continued)

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.

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 polices 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 February 28, 2023, 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.

5. ACQUISITIONS AND DISPOSALS

During the six months ended February 28, 2023, the Company had the following acquisitions and disposals:

Sale of Leviathan USA Assets

On November 17, 2022, the Company finalized an asset purchase agreement with Veridia USA, LLC, disposing of its entire interest in the property situated in Leviathan USA (Tennessee US), along with all related assets, namely buildings, structures and equipment as well as associated payable balances and mortgages. The total consideration received for the disposition amounted to 3,332,875 (US $2.5 million). The net carrying value amount of the disposed assets amounted to $1,899,914 (US $1,452,649), resulting in a gain on the disposal of assets amounting to $1,398,214, as recognized on the statement of operations and comprehensive loss.

(Unaudited – Amounts Expressed in Canadian Dollars)

5. ACQUISITIONS AND DISPOSALS (continued)

Acquisition of Fresh Cannabis Co.

On December 1, 2022, the Company completed the acquisition of Fresh Cannabis Co. Inc. ("Fresh Cannabis") for total cash consideration of $375,000 (the "Fresh Cannabis Acquisition"). Fresh Cannabis is a cannabis retail store operation located in British Columbia, Canada.

In accordance with the Company's accounting policies and IFRS 3, the measurement period for the Fresh Cannabis Acquisition shall not exceed one year from the date of acquisition. Accordingly, the accounting for the Fresh Cannabis Acquisition has only been provisionally determined as at February 28, 2023. The following table summarizes the fair value of consideration paid on acquisition date and the allocation of consideration to the assets and liabilities acquired. The Company has allocated a majority of the value of the transaction as intangible assets related to licenses. Once the fair value of the transaction has been determined, the value of the provisional allocation to intangible assets may change. Such changes may be material.

	$
Consideration paid	
Cash consideration transferred	375,000
Total consideration:	**375,000**
Purchase Price Allocation	
Inventory	18,154
Equipment	21,596
Right-of-use assets	108,689
Lease liabilities	(108,689)
Intangible assets	335,250
	375,000

Acquisition of Greenery Cannabis Boutique Ltd.

On December 14, 2022, the Company completed the acquisition of 1267842 B.C. Ltd. (o/a Greenery Cannabis Boutique Ltd.) ("Greenery Cannabis") for total cash consideration of $70,000 (the "Greenery Cannabis Acquisition"). Greenery Cannabis is a cannabis retail store operation located in British Columbia, Canada.

	$
Consideration paid	
Cash consideration transferred	70,000
Total consideration:	**70,000**
Purchase Price Allocation	
Cash	815
Inventory	1,820
Property and equipment	206,585
Right-of-use assets	111,521
Lease liabilities	(111,521)
Accounts payable and accrued liabilities	(9,440)
Gain on acquisition	(129,780)
	70,000

(Unaudited – Amounts Expressed in Canadian Dollars)

5. ACQUISITIONS AND DISPOSALS (continued)

Acquisition of Greenery Cannabis Boutique Ltd. (continued)

In accordance with the Company's accounting policies and IFRS 3, the measurement period for the Greenery Cannabis Acquisition shall not exceed one year from the date of acquisition. Accordingly, the accounting for the Greenery Cannabis Acquisition has only been provisionally determined as at February 28, 2023. The following table summarizes the fair value of consideration paid on acquisition date and the allocation of consideration to the assets and liabilities acquired. Based on the information available as at the date of acquisition and February 28, 2023, the Greenery Cannabis Acquisition was considered a bargain purchase option and resulted in a gain on acquisition in the amount of $129,780, which has been recorded on the condensed interim consolidated statements of operations and comprehensive loss. Once the fair value of the transaction has been determined, the value of the provisional allocation to the gain on acquisition and allocations to other assets and liabilities may change. Such changes may be material.

During the year ended August 31, 2022, the Company had the following acquisitions and disposals:

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:

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

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.

(Unaudited – Amounts Expressed in Canadian Dollars)

5. ACQUISITIONS AND DISPOSALS (continued)

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. Accordingly, the results of Woodstock Biomed Inc have been presented as "discontinued operations" in the statements of loss and comprehensive loss. Included in Woodstock Biomed Inc. was an investment property amounting to $4,425,000.

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).

6. INVENTORY

As at February 28, 2023, the Company's inventory was comprised of purchased products, only. The components of inventory as at February 28, 2023 and August 31, 2022 are as follows:

	February 28, 2022	August 31, 2022
Raw material	$ -	$ 12,341
Accessories	159,769	-
Finished goods	1,191,410	929,807
Total	**$ 1,351,179**	**$ 942,148**

(Unaudited – Amounts Expressed in Canadian Dollars)

7. GOODWILL AND INTANGIBLES

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

	Licenses $	Technology Platform $	Trade Name $	Goodwill $	Total goodwill and intangibles $
Cost					
At August 31, 2021	**137,303**	**-**	**-**	**-**	**137,303**
Additions	-	505,000	-	-	505,000
Additions - Thirthankar acquistion	-	-	3,298,257	14,735,751	18,034,008
At August 31, 2022	**137,303**	**505,000**	**3,298,257**	**14,735,751**	**18,676,311**
Additions	335,250	-	-	-	335,250
As at February 28, 2023	**472,553**	**505,000**	**3,298,257**	**14,735,751**	**19,011,561**
Accumulated Amortization					
At August 31, 2021	**29,422**	**-**	**-**	**-**	**29,422**
Amortization for the year	58,844	-	-	-	58,844
At August 31, 2022	**88,266**	**-**	**-**	**-**	**88,266**
Amortization for the period	50,822	50,500	164,913	-	266,235
As at February 28, 2023	**139,088**	**50,500**	**164,913**	**-**	**354,501**
Net Book Value					
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
As at February 28, 2023	**333,465**	**454,500**	**3,133,344**	**14,735,751**	**18,657,060**

The Company's licenses are comprised of the following:

- 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 carrying value of these licenses as at February 28, 2023 amounted to $26,153 (August 31, 2022 - $49,037); and
- Cannabis retail license in British Columbia, Canada, in connection with the Fresh Cannabis Acquisition (Note 5). 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 carrying value of these licenses amounted to $307,312 (August 31, 2022 - $nil).

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 isa 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 and six months ended February 28, 2023 (February 28, 2022 – $nil).

During the three and six months ended February 28, 2023, the amortization on intangible assets amounted to $147,755 and $265,235, respectively (February 28, 2022 – $16,243 and $29,216, respectively).

(Unaudited – Amounts Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Building $	Right of Use Asset $	Machinery Equipment $	Furniture and Fixtures $	Vehicle $	Total $
Cost						
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**
Additions	206,585	1,646,801	-	21,596	-	1,874,982
Disposals	(1,450,471)	-	(2,091,128)	(132,774)	-	(3,674,373)
As at February 28, 2023	**1,348,717**	**4,167,459**	**77,559**	**66,060**	**26,483**	**5,686,277**
Accumulated Amortization						
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**
Amortization for the period	10,767	163,727	2,050	15,638	3,972	196,154
Disposals	(113,478)	-	(1,051,657)	(64,015)	-	(1,229,150)
As at February 28, 2023	**10,767**	**264,769**	**13,217**	**10,240**	**3,972**	**302,965**
Net Book Value						
At August 31, 2022	2,479,125	2,419,616	1,105,863	118,621	26,483	6,149,707
As at February 28, 2023	**1,337,950**	**3,902,690**	**64,342**	**55,820**	**22,511**	**5,383,312**

The Company's has a facility in Colombia representing $1,120,562 of land and buildings which were not in use during the six months ended February 28, 2023 and year ended August 31, 2022. Accordingly, no amortization has been charged on these assets to date.

During the three and six months ended February 28, 2023, the Company disposed of its property, plant and equipment through an asset sale of Verdia USA, LLC (Note 5).

During the three and six months ended February 28, 2023, the Company entered into additional long-term lease agreements.

9. LONG-TERM DEBT

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

	February 28, 2023	August 31, 2022
Woodstock (a)	$ -	$ -
Bridge Loan (b)	1,163,866	7,986,122
Colombia Mortgage (c)	-	-
Lease Liability (d)	4,168,877	2,419,615
Government Loan (e)	35,071	32,446
US Loan (f)	-	634,088
Other loans (g)	-	80,329
	$ 5,367,814	$11,134,599
Less: current portion	1,251,894	1,794,954
	$ 4,115,920	$ 9,339,645

The current portion amount of $1,251,894 includes $782,044 relating to long-term debt balances, and $469,850 relating to current 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 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 February 28, 2023 (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 and six months ended February 28, 2023, 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).

	February 28, 2023	**August 31, 2022**
Opening balance	$ 7,968,122	$ 7,146,957
Draws	-	738,045
Discount	-	(162,156)
Interest expense	200,280	796,496
Accretion expense	328,339	848,437
Payments	(7,332,875)	(738,045)
Closing balance	**$ 1,163,866**	**$ 7,968,122**
Less: current portion	746,973	725,305
Non-current portion	**$ 438,561**	**$ 7,146,957**

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 February 28, 2023.

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT (continued)

d) Lease Liability

The following is a reconciliation of the Company's lease liabilities as at February 28, 2023 and August 31, 2022:

	February 28, 2023	August 31, 2022
	$	$
Opening balance	**2,419,615**	17,564
Additions from the Tirthankar Acquisition (Note 5)	**-**	2,419,615
Additions from Fresh Cannabis Acquisition (Note 5)	**108,689**	-
Additions from Greenery Cannabis Acquisition (Note 5)	**111,521**	-
Additions during the period	**1,426,591**	-
Interest expense	**188,686**	418
Lease payments	**(86,225)**	(17,982)
Closing balance	**4,168,877**	2,419,615
Less: Current portion	**469,850**	339,701
Non-current portion	**3,699,027**	2,079,914

e) Government Loan

As at February 28, 2023, 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%.

	February 28, 2023	**August 31, 2022**
Opening balance	$ 32,446	$ 64,892
Modification of debt	-	(9,929)
Draws	-	-
Discount	-	-
Accretion expense	1,294	4,964
Payments	-	(27,482)
Closing balance	**$ 33,740**	**$ 32,446**
Less: Current portion	33,740	-
Non-current portion	**-**	**$ 32,446**

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 six months ended February 28, 2023 the Company sold all the assets of Veridia USA, LLC (Note 5) and accordingly, does not have an obligations related to this loan.

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT (continued)

	February 28, 2023	August 31, 2022
Opening balance	$ 634,088	$ 588,362
Draws	-	-
Discount	-	-
Interest expense	21,999	82,389
Accretion expense	7,486	26,308
Payments	(663,573)	(62,971)
Closing balance	**$ -**	**$ 634,088**
Less: current portion	-	634,088
Non-current portion	**$ -**	**$ -**

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 February 28, 2023 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)

Six Months Ended February 28, 2023

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).

(Unaudited – Amounts Expressed in Canadian Dollars)

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:

Share-based compensation for the three and six months ended February 28, 2023 amounted to $435,749 and 871,098, respectively (February 28, 2022 – $27,514 and $86,673, respectively). Share-based compensation expense was from the vesting of previously issued options. Stock-options issued from the three and six months ended February 28, 2023.

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 February 28, 2023 and the year ended August 31, 2022 is as follows:

	Number of Options	Weighted-Average 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

(Unaudited – Amounts Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Outstanding, August 31, 2022	4,550,000	0.82
Expired	(50,000)	0.60
Exercised	-	-
Issued	-	-
Outstanding, February 28, 2023	4,500,000	0.82

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at February 28, 2023 are as follows:

Date of Grant	Exercise Price ($)	Number Outstanding	Number Exercisable	Remaining Life (Years)
Mar 21, 2021	0.60	1,000,000	1,000,000	1.06
Mar 21, 2022	0.82	2,000,000	-	2.10 - 2.10
June 3, 2022	0.95	1,000,000	-	2.30 - 3.30
June 9, 2022	1.10	500,000	-	2.32 - 3.32
		4,500,000	1,000,000	

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.

During the three and six months ended February 28, 2023, there were no warrants exercised.

(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 (iii)	Colombia	100%	August 21, 2019
Natural Origins SAS (iv)	Colombia	100%	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. (SK)	Canada	100%	August 31, 2022
Cost Cannabis Inc. (BC)	Canada	100%	December 1, 2022
Fresh Cannabis Co. Inc. (v)	Canada	100%	December 1, 2022
1267842 B.C. Ltd. (vi)	Canada	100%	December 14, 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) Grupo LCG SAS is a wholly-owned subsidiary of LCG Holdings Inc.

(iv) Natural Origins SAS is a wholly-owned subsidiary of Grupo LCG SAS.

(v) Fresh Cannabis Co. Inc. is a wholly-owned subsidiary of Cost Cannabis Inc. (BC).

(vi) 1267842 B.C. Ltd. is a wholly-owned subsidiary of Cost Cannabis Inc. (BC).

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 six months ended February 28,	**2023**	**2022**
Salaries, consulting and benefits (a)	$ 160,000	$ 336,000
	$ 160,000	**$ 336,000**

For the three months ended February 28,	**2023**	**2022**
Salaries, consulting and benefits (a)	$ 80,000	$ 168,000
	$ 80,000	**$ 168,000**

12. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(a) As at February 28, 2023, $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.

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.

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

In the normal course of business, the Company maybe involved in various legal proceedings, the outcomes of which cannot be determined at this time, and, accordingly, no provision has been recorded in the condensed interim consolidated financial statements. The Company believes that there are no current proceedings that will result in a material favourable or unfavourable effect on its financial position or results of operations except for those who are already accounted for. The Company’s previously involved subsidiary, Woodstock Biomed Inc., was involved in two specific legal proceedings. As a result of the Company’s disposition of its interest and ownership in Woodstock Biomed Inc. on August 31, 2022, the Company believes that there is no longer any exposure and accordingly, no provision has been recorded in these condensed interim consolidated financial statements.

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 March 10, 2023, the Company completed the sale of its subsidiary, LCG Holdings Inc., and the subsidiary’s entire interest in the property located in Carmen de Viboral, Columbia, together with all buildings, structures, and equipment situated there on (the “Columbian Assets”). The aggregate purchase price for the sale of the Columbian Assets amounted to $1,050,000, with consideration received partly as the reduction of certain debt the Company held and cash proceeds.