1CM INC.

Consolidated Financial Statements

For the Years Ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

1CM INC.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
1CM Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of 1CM Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

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

Material Uncertainty Relating to Going Concern
We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred net loss of $913,857 during the year ended August 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended August 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Emphasis of Matter - *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Goodwill Impairment Assessment

Description of the matter
As described in Note 6 to the consolidated financial statements, the Company's goodwill balance originated on its acquisition of Tirthankar Ltd, comprising Ontario cannabis retail stores, on August 31, 2022.

Goodwill acquired in a business combination is allocated to the CGU (or group of CGUs) that will benefit from the synergies of the combination. IAS 36 – *Impairment of Assets* requires goodwill and indefinite life intangible assets to be tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use ("VIU") and its fair value less costs of disposal. Management estimated the recoverable amount with a VIU approach and concluded no impairment charge was required.

Why the matter is a key audit matter
This matter represented an area of significant risk of material misstatement given the magnitude of the goodwill balance and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgement, knowledge and effort were required. Lastly, the involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit
The following were the primary procedures we performed to address this key audit matter:

- We involved our internal valuation professionals with specialized skills and knowledge who assisted in evaluating the reasonableness of management's impairment analysis;
- Evaluated reasonableness of judgments made in management's assessment of the cash generating units (CGU);
- Evaluated reasonableness of key inputs to management's cash flow projection used to determine recoverable amount of the CGU; including discount rate, revenue growth rate, EBITDA margin; working capital requirement; and tested the mathematical accuracy;
- We compared management's historical forecasts of cash flow projections with actual results to assess management's ability to accurately predict cash flows;
- We performed our own sensitivity analysis to further assess estimation uncertainty; and;
- We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
December 29, 2023

1CM INC.

Consolidated Statements of Financial Position
As at August 31, 2023 and 2022
(Amounts Expressed in Canadian Dollars)

	August 31, 2023 $	August 31, 2022 $
Assets		
Current Assets		
Cash	**3,079,183**	2,236,949
Accounts receivable and other receivables	**113,436**	208,397
Inventories *(Note 5)*	**4,204,482**	942,148
Prepaid expenses and deposits *(Note 15)*	**1,136,587**	82,356
	8,533,688	3,469,850
Investment	**25,000**	25,000
Goodwill and intangibles *(Note 6)*	**19,011,382**	18,588,045
Right-of-use assets *(Note 7)*	**4,321,688**	2,419,616
Property, plant and equipment *(Note 8)*	**2,127,007**	3,730,091
	34,018,765	28,232,603
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**1,601,057**	666,515
Sales tax payable	**176,226**	18,580
Income tax payable *(Note 19)*	**427,275**	132,369
Current portion of lease liabilities *(Note 9 (g))*	**348,250**	339,701
Current portion of long-term debt *(Note 9)*	**1,898,797**	1,455,254
	4,451,605	2,612,419
Deferred tax liabilities *(Note 19)*	**824,917**	900,000
Lease liabilities *(Note 9(g))*	**4,147,161**	2,079,914
Long-term debt *(Note 9)*	**-**	7,259,731
	9,423,683	12,852,064
Equity		
Share capital *(Note 10(a))*	**60,946,030**	55,146,030
Share subscriptions received *(10(a))*	**3,000,000**	-
Options (*Note 10(b))*	**1,777,875**	1,301,270
Accumulated deficit	**(41,128,823)**	(40,701,065)
Accumulated other comprehensive loss	**-**	(365,696)
Total shareholders' equity	**24,595,082**	15,380,539
Total liabilities and shareholders' equity	**34,018,765**	28,232,603

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

Approved on behalf of the Board:

"Lucas Leone", Director
(signed)

"Tanvi Bhandari", Director
(signed)

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

1CM INC.

Statements of Operations and Comprehensive Loss
For the Years Ended August 31, 2023 and 2022
(Amounts Expressed in Canadian Dollars)

	August 31, 2023	August 31, 2022
	$	$
Revenue		
Sales *(Note 14)*	**35,341,440**	842,491
Cost of sales *(Note 5, 13)*	**27,732,745**	1,270,088
	7,608,695	(427,598)
Expenses		
Salaries, wages and consulting fees *(Note 13)*	**3,201,260**	846,135
Interest, net *(Note 9)*	**1,270,470**	1,741,986
Office and general	**1,270,643**	315,423
Share-based compensation *(Note 10(b))*	**962,704**	1,311,671
Bank processing fees	**537,433**	-
Depreciation (*Note 7, 8)*	**507,935**	528,114
Amortization of intangible assets *(Note 6)*	**504,800**	55,278
Operational and utilities	**404,482**	25,399
Professional fees	**292,367**	425,032
Travel and promotion	**91,271**	10,783
Investors relations and fees	**72,442**	70,636
Loss (gain) on modification of debt *(Note 9(d))*	**7,554**	(9,929)
Gain on sale of subsidiaries, net *(Note 4)*	**(952,907)**	(753,149)
	8,170,454	4,567,379
Net loss from continuing operations	**(561,759)**	(4,994,977)
Net income from discontinued operations *(Note 18)*	**-**	53,914
Net loss before income tax recovery (expense)	**(561,759)**	(4,941,063)
Current income tax expense *(Note 19)*	**(427,181)**	-
Deferred tax recovery *(Note 19)*	**75,083**	-
Net Loss	**(913,857)**	(4,941,063)
Other Comprehensive Loss		
Foreign currency translation	**365,696**	(85,503)
Comprehensive Loss	**(548,161)**	(5,026,566)
Net Loss Attributable to:		
Non-controlling interest *(Note 11)*	**-**	(213,824)
Shareholders of the Company	**(913,857)**	(4,727,239)
	(913,857)	(4,941,063)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**113,636,479**	89,041,180
Fully Diluted Income (Loss) per Share, continuing operations	**$ (0.01)**	$ (0.06)
Fully Diluted Income (Loss) per Share, discontinued operations	**$ 0.00**	$ 0.00

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

1CM INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Years Ended August 31, 2023 and 2022
(Amounts Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share subscriptions received	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))	-	-	-	-	1,032,671	-	-	1,032,671	-	1,032,671
Expiry of stock options (Note 10(b))	-	-	-	-	(1,935,236)	1,935,236	-	-	-	-
Exercise of stock options (Note 10(b))	75,000	71,289	-	-	(26,288)	-	-	45,000	-	45,000
Issuance of shares on exercise of warrants (Note 10(c))	751,666	575,144	-	(124,144)	-	-	-	451,000	-	451,000
Expiry of warrants (Note 10(c))	-	-	-	(2,353,236)	-	2,353,236	-	-	-	-
Issuance of shares on private placement (Note 10(a))	8,333,333	5,000,000	-	-	-	-	-	5,000,000	-	5,000,000
Acquisition of interest in subsidiary (Note 11(i))	-	-	-	-	-	(626,903)	-	(626,903)	815,691	188,788
Issuance of shares in OCM Acquisition	500,000	505,000	-	-	-	-	-	505,000	-	505,000
Issuance of shares in Tirthankar Acquisition	15,750,000	17,577,000	-	-	-	-	-	17,577,000	-	17,577,000
Issuance of shares as retention bonus	250,000	279,000	-	-	-	-	-	279,000	-	279,000
Net loss and comprehensive loss, continuing operations	-	-	-	-	-	(4,999,017)	(85,503)	(5,084,520)	(213,824)	(5,298,344)
Net income, discontinued operations	-	-	-	-	-	53,914	-	53,914	-	53,914
Balance, August 31, 2022	**110,403,602**	**55,146,030**	**-**	**-**	**1,301,270**	**(40,701,065)**	**(365,696)**	**15,380,538**	**-**	**15,380,539**

	Number of Shares	Share Capital	Share subscriptions received	Warrants	Options	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Equity and Non-Controlling Interest
Balance, August 31, 2022	**110,403,602**	**$ 55,146,030**	**$ -**	**$ -**	**$ 1,301,270**	**$ (40,701,065)**	**$ (365,696)**	**$ 15,380,539**	**$ -**	**$ 15,380,539**
Vesting of stock options (Note 10(b))	-	-	-	-	962,704	-	-	962,704	-	962,704
Expiry and forfeiture of stock options (Note 10(b))	-	-	-	-	(486,099)	486,099	-	-	-	-
Issuance of shares on private placement (Note 10(a))	4,000,000	5,800,000	-	-	-	-	-	5,800,000	-	5,800,000
Shares to be issued (Note 10(a))			3,000,000	-	-	-	-	3,000,000	-	3,000,000
Net loss and comprehensive loss	-	-	-	-	-	(913,857)	365,696	(548,161)	-	(548,161)
Balance, August 31, 2023	**114,403,602**	**60,946,030**	**3,000,000**	**-**	**1,777,875**	**(41,128,823)**	**-**	**24,595,082**	**-**	**24,595,082**

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

1CM INC.

Consolidated Statements of Cash Flows
For the Years Ended August 31, 2023 and 2022
(Amounts Expressed in Canadian Dollars)

	August 31, 2023	August 31, 2022
	$	$
Cash Flows from (used in) Operating Activities		
Net loss from continuing operations	**(913,857)**	(4,941,063)
Add-back (deduct) non-cash items		
Income from discontinued operations *(Note 18)*	**-**	(53,914)
Depreciation *(Note 7, 8)*	**507,935**	597,834
Amortization of intangible assets *(Note 6)*	**504,800**	55,278
Interest and accretion *(Note 9)*	**1,270,470**	1,725,914
Share-based compensation *(Note 10(b))*	**962,704**	1,311,671
Inventory write-down	**-**	35,656
Loss (gain) on modification of debt	**7,554**	(9,929)
Gain on sale of subsidiary *(Note 4)*	**(952,907)**	(753,149)
Deferred tax recovery *(Note 19)*	**(75,083)**	-
Changes in non-cash working capital:		
Receivables and other assets	**(182,063)**	(28,188)
Prepaid expenses and deposits *(Note 15)*	**(987,300)**	-
Sales tax payable	**157,646**	80,487
Income tax payable	**294,906**	-
Deferred revenue	**-**	(15,140)
Inventories	**(3,445,035)**	150,401
Accounts payable and accrued liabilities	**1,102,167**	(394,808)
	(1,748,063)	(2,238,950)
Cash used in discontinued operations *(Note 18)*	**-**	(288,673)
Cash flows used in operating activities	**(1,748,063)**	(2,527,623)
Cash Flows from (used in) Financing Activities		
Lease payments	**(617,064)**	(17,564)
Mortgage repayments	**-**	(701,586)
Proceeds from private placement *(Note 10(a))*	**5,800,000**	5,000,000
Share subscriptions received *(Note 10(a))*	**3,000,000**	-
Proceeds from warrants and options exercised	**-**	496,000
Cash consideration for Tirthankar acquisition *(Note 4)*	**-**	(1,800,000)
Proceeds from long-term debt *(Note 9(b))*	**1,500,000**	-
Repayments of long-term debt *(Note 9(b))*	**(8,382,875)**	(85,472)
CEBA loan repayment	**(40,000)**	(40,000)
Cash flows from financing activities	**1,260,061**	2,851,378
Cash Flows from (used in) Investing Activities		
Proceeds from disposal of LCG Holdings *(Note 4)*	**1,047,717**	-
Proceeds from disposal of Leviathan USA *(Note 4)*	**3,332,875**	-
Asset acquisitions of Fresh Cannabis and Greenery Cannabis *(Note 4)*	**(426,031)**	-
Additions to intangible assets	**(618,100)**	-
Cash acquired from Tirthankar Acquisition *(Note 4)*	**-**	1,671,186
Additions to property, plant and equipment	**(2,006,225)**	(218,484)
	1,330,236	1,452,702
Cash from discontinued operations *(Note 18)*	**-**	298,033
Cash flows from investing activities	**1,330,236**	1,750,735
Increase in cash	**842,234**	2,074,490
Cash, beginning of year	**2,236,949**	162,459
Cash, end of year	**3,079,183**	2,236,949

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of Business

1CM Inc. (the "Company") is a multi-jurisdictional cannabis company, focused on becoming a leader in the cannabis industry with a focus on being a retail leader in cannabis and other industries. 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 Drive, 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 consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

For the year ended August 31, 2023, the Company reported a net loss of $913,857 (August 31, 2022 – $4,941,063) and, as at August 31, 2023, had a deficit of $41,128,823 (August 31, 2022 – $40,701,065) and working capital surplus of $4,082,083 (August 31, 2022 – $857,431). Management has forecasted that the expected expenditure levels and contracted commitments will not significantly exceed the Company's net cash inflows and working capital for the next 12 months. 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 able to continuingly achieve this. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on December 29, 2023.

(b) Basis of presentation and consolidation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These 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 consolidated financial statements of the Company are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar. During the year ended August 31, 2023, the Company's disposed of i) Leviathan US, which had a US dollar functional currency; ii) Grupo LCG SAS and Natural Origins SAS, which had a Colombian peso functional currency; and iii) and LCG Holdings Inc. which had a Canadian dollar 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 exchange rate prevailing at the consolidated statements of financial position date. Exchange gains and losses on settlement of transactions, and the translation of monetary assets and liabilities other than in functional currency are recorded in the consolidated statements of operations and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial Instruments

Financial instruments

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

Financial assets

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

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

Where the fair values of financial assets recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Financial assets at FVTPL

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

Financial assets at FVTOCI

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

Derecognition

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

Impairment of financial assets

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

Financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial Instruments (continued)

Financial liabilities at amortized cost

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

Derecognition

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

Determination of fair value

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

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

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

	IFRS 9 Classification
Financial assets	
Cash	Amortized cost
Accounts receivable and other receivables	Amortized cost
Investment	FVTPL
Financial liabilities	
Accounts payable	Amortized cost
Long-term debt	Amortized cost

(e) Revenue recognition

The Company earns revenue from the retail sales of cannabis and liquor products. Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement. Revenue from product sales and the related cost of goods sold are recognized on delivery of goods to the customer. Retail sales are recognized when the significant risks and rewards of ownership have been transferred, generally at the point of sale and delivery of goods to the customer, and consideration has been received.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant, and equipment

Recognition and measurement

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

Depreciation

Depreciation is recognized in the consolidated statement of operations and comprehensive loss over the estimated useful lives of each part of an item of property, plant, and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives the property, plant and equipment are as follows:

Asset	**Basis**	**Rate**
Land	N/A	N/A
Building	Declining Balance	4%
Equipment	Declining Balance	30%
Furniture and fixtures	Declining Balance	30%
Vehicle	Declining Balance	30%

Depreciation on the Company's property, plant, and equipment begins when the asset is ready for use.

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statements of operations and comprehensive loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of operations and comprehensive loss in the expense category that is consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(h) Inventories

Inventories consist of finished goods are measured at the lower of cost and net realizable value. Cost is determined using the standard cost method, which is updated regularly to reflect current conditions and approximate cost based on the weighted average costing formula. Cost of inventories includes cost of purchase (purchase price, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for spoiled, slow moving and defective inventories are recognized in the consolidated statements of operations and comprehensive 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of non-financial assets

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

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

(j) Provisions

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

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

The Company had no material provisions as at August 31, 2023 and 2022.

(k) Share-based payment transactions

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

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

(l) Loss per share

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leases

IFRS 16 introduced a single, on-balance sheet accounting model for leases. The Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

A right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation or impairment losses and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company primarily uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has furthermore applied judgment to determine the applicable discount rate. The discount rate is based on the Company's incremental borrowing rate and reflects the current market assessments of the time value of money and the associated risks for which the estimates of future cash flows have not been adjusted for.

(n) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization. Goodwill is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying amount to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is recognized as an impairment charge on the consolidated statements of operations and comprehensive loss. Goodwill impairments are not reversed. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Goodwill is reported at cost less any accumulated impairment.

(o) Assets held for sale and discontinued operations

Current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets continue to be measured in accordance with the Company’s relevant accounting policy for those assets.

Once classified as held for sale, the assets are not subject to depreciation or amortization. Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, income or loss from discontinued operations.

(p) Non-controlling interest

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

(q) Significant accounting estimates, judgements, and assumptions

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Valuation of inventories

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 the consolidated statement of operations and comprehensive 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 inventories.

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.

Carrying values of tangible assets

The Company assesses the carrying value of its tangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current net income (loss) as an impairment expense. Recoverability is dependent upon assumptions and judgements regarding market conditions, costs of operations and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, and future cash flows. Depreciation is dependent upon estimates of useful lives and the residual values. These are determined through the exercise of judgement and are dependent upon estimates that consider factors such as economic and market conditions, frequency of use, anticipated changes in laws, and technological estimates. Management reviews the useful lives for tangible assets at the end of each reporting period based on expected utility with changes in such estimates accounted prospectively. A material change in the assumptions may significantly impact the potential impairment of these assets.

Carrying values of goodwill and other intangible assets

The values associated with goodwill and other intangible assets involve significant estimates and assumptions, including those with respect to the determination of cash generating units ("CGUs"), future cash inflows and outflows, discount rates and useful asset lives. At least annually, the carrying amount of goodwill and other intangible assets are reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. Further, the determination of an intangible asset having a definite or an indefinite useful life, and if determined to be a definite life intangible asset, amortization based on the useful life, which are reviewed at each reporting period based on the expected utility of the asset, with changes in such estimates accounted prospectively. These significant estimates require considerable judgment which could affect the Company's future results if the current estimates of future performance and fair value change.

Deferred tax assets

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. The Company recognizes deferred tax assets only to the extent that it considers it probable that those assets will be recoverable. The Company makes assumptions about when deferred tax assets are probable to reverse, the extent to which it is probable that temporary differences will reverse and whether or not there will be sufficient taxable profits available to realize the tax assets when they do reverse. In making these judgments, the Company continually evaluates the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate based on facts known at the reporting date. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 the Company's subsidiaries operate in. 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.

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.

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.

Contingencies

Due to the nature of the Company's operations, various legal matters can arise from time to time in the normal course of business. Management assesses its contingencies based upon the best information available at the end of each reporting period. In the event that management's estimate of the future resolution of these matters' changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

(r) 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 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 Company adopted this amendment effective September 1, 2022, and the impact of adoption of this amendment on the Company's consolidated financial statements was not material.

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

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as 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. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

(Amounts Expressed in Canadian Dollars)

3. FINANCIAL RISK FACTORS

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

Credit Risk

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

Liquidity Risk

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

As at August 31, 2023, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses (Note 1). 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 the Company's existing debt is fixed, and are not currently subject to any significant interest rate risk.

4. ACQUISITIONS AND DISPOSALS

During the year ended August 31, 2023, the Company had the following acquisitions and disposals:

Sale of Colombian Facility

On March 10, 2023, the Company completed the sale of its subsidiary, LCG Holdings Inc. (and its wholly owned subsidiaries, Grupo LCG SAS and Natural Origins SAS), and the subsidiary's entire interest in the property located in Carmen de Viboral, Colombia, together with all buildings, structures, and equipment situated there on (the "Colombian Assets"). The aggregate purchase price for the sale of the Colombian Assets amounted to $1,050,000, with the consideration received as a reduction of the debt the Company holds with the purchaser (Note 9(b)). The Company recorded a loss on this transaction in the amount of $175,952 for the year ended August 31, 2023. The loss is reflected in gain on sale of subsidiaries, net, in the consolidated statements of operations and comprehensive loss.

Below details the loss recognized on the sale of the Colombian Assets during the year ended August 31, 2023:

	$
Proceeds received on disposition	**1,050,000**
Repayment of long-term debt	**(1,050,000)**
Cash consideration received	**-**
Carrying amount of net assets sold:	
Cash	2,283
Other assets	57,165
Property, plant, and equipment	1,120,562
License	25,213
Accounts payables	(36,545)
Foreign exchange	57,274
	1,225,952
Loss on disposal of Colombian Assets	**(175,952)**

(Amounts Expressed in Canadian Dollars)

4. ACQUISITIONS AND DISPOSALS (continued)

Sale of Leviathan USA

On November 17, 2022, the Company completed the sale of its subsidiary, Leviathan USA, Inc., disposing of its entire interest in the property situated in Tennessee US, along with all related assets, namely buildings, structures and equipment as well as associated payable balances and mortgages. The aggregate purchase price for the sale of subsidiary amounted to $3,332,875 (US $2.5 million), with the consideration received as a reduction of the debt the Company holds with the purchaser (Note 9(b)). The Company recorded a gain on this transaction in the amount of $1,128,859 for the year ended August 31, 2023. This gain is reflected in gain on sale of subsidiaries, net, in the consolidated statements of operations and comprehensive loss.

Below details the gain recognized on the sale of Leviathan USA, Inc. during the year ended August 31, 2023:

	$
Proceeds received on disposition	**3,332,875**
Repayment of long-term debt	**(3,332,875)**
Cash consideration received	-
Carrying amount of net assets sold:	
Cash	64,451
Accounts receivable	127,394
Inventory	202,675
Prepaid expenses	26,700
Property, plant, and equipment	2,465,698
Accounts payable	(364,843)
Long-term debt	(634,366)
Foreign exchange	316,307
	2,204,016
Gain on disposal of Leviathan USA, Inc.	**1,128,859**

Acquisition of Fresh Cannabis Co.

On December 1, 2022, the Company completed the acquisition of Fresh Cannabis Co. Inc. ("Fresh Cannabis") for a 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 *IFRS 3 – Business Combinations*, Fresh Cannabis was determined not to meet the definition of a business as substantially all of the fair value of Fresh Cannabis with the primary value concentrated in the value of the cannabis retail license, with nominal other assets acquired with right-of-use assets and lease liabilities offsetting each other. Accordingly, the acquisition was treated as an asset acquisition, with the majority of the consideration relating to the cannabis license (Note 6), amounting to $335,250.

Details of the asset allocation are as follows:

	$
Purchase Price:	375,000
Amount allocated to:	
Inventory	18,154
Equipment	21,596
Right-of-use assets	108,689
Lease liabilities	(108,689)
Intangible assets	335,250
	375,000

Subsequent to the Fresh Cannabis Acquisition, the Company implemented its own processes and rebranded Fresh Cannabis into a Cost Cannabis store.

(Amounts Expressed in Canadian Dollars)

4. ACQUISITIONS AND DISPOSALS (continued)

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 a total cash consideration of $70,000 (the "Greenery Cannabis Acquisition"). Greenery Cannabis is a cannabis retail store operation located in British Columbia, Canada.

The Greenery Cannabis Acquisition did not meet the definition of a business in accordance with *IFRS 3 – Business Combinations* due to the lack of substantive processes in place by Greenery Cannabis at the time of acquisition. Accordingly, the Greenery Cannabis Acquisition was treated as an asset acquisition.

Details of the asset allocation are as follows:

	$
Purchase Price:	**70,000**
Amount allocated to:	
Cash	815
Inventory	1,820
Property and equipment	76,805
Right-of-use assets	135,177
Lease liabilities	(135,177)
Accounts payable and accrued liabilities	(9,440)
	70,000

Subsequent to the Greenery Cannabis Acquisition, the Company implemented its own processes and rebranded Greenery Cannabis into a Cost Cannabis store.

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

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 Company (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.

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 consolidated statements of operations and comprehensive loss. Included in Woodstock Biomed Inc. was an investment property amounting to $4,425,000.

(Amounts Expressed in Canadian Dollars)

4. ACQUISITIONS AND DISPOSALS (continued)

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 “Tirthankar 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 of 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 has been allocated to the assets acquired and liabilities assumed 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		(189,643.00)
Right of use assets		2,419,615
Lease liabilities		(2,419,615.00)
Income tax payable		(132,748.00)
Deferred tax		(900,000.00)
Shareholder loan		(1,820,334.00)
Trade Name		3,298,257
Goodwill		14,735,751
	$	17,577,000

5. INVENTORIES

As at August 31, 2023 and 2022, the components of the Company’s inventories are as follows:

		August 31, 2023		August 31, 2022
Raw materials	$	-	$	12,341
Accessories		158,478		-
Finished goods		4,046,004		929,807
	$	**4,204,482**	**$**	**942,148**

Inventories recognized as an expense, included in cost of sales, during the years ended August 31, 2023 and 2022 amounted to $27,732,745 and $1,270,088, as presented on the consolidated statements of operations and comprehensive loss.

(Amounts Expressed in Canadian Dollars)

6. GOODWILL AND INTANGIBLES

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

	Licenses $	Technology Platform $	Trade Name $	Retail Permits $	Goodwill $	Total goodwill and intangibles $
Cost						
As at August 31, 2021	**137,303**	**-**	**-**	**-**	**-**	**137,303**
Additions during the year	-	505,000	-	-	-	505,000
Additions - Tirthankar acquistion	-	-	3,298,257	-	14,735,751	18,034,008
As at August 31, 2022	**137,303**	**505,000**	**3,298,257**	**-**	**14,735,751**	**18,676,311**
Additions during the year	335,250	-	-	618,100	-	953,350
Disposals during the year	(137,303)	-	-	-	-	(137,303)
As at August 31, 2023	**335,250**	**505,000**	**3,298,257**	**618,100**	**14,735,751**	**19,492,358**
Accumulated Amortization						
As at August 31, 2021	**29,422**	**-**	**-**	**-**	**-**	**29,422**
Amortization during the year	58,844	-	-	-	-	58,844
As at August 31, 2022	**88,266**	**-**	**-**	**-**	**-**	**88,266**
Amortization during the year	73,974	101,000	329,826	-	-	504,800
Disposals during the year	(112,090)	-	-	-	-	(112,090)
As at August 31, 2023	**50,150**	**101,000**	**329,826**	**-**	**-**	**480,976**
Net Book Value						
As at August 31, 2021	107,881	-	-	-	-	107,881
As at August 31, 2022	49,037	505,000	3,298,257	-	14,735,751	18,588,045
As at August 31, 2023	**285,100**	**404,000**	**2,968,431**	**618,100**	**14,735,751**	**19,011,382**

Intangible Assets

The Company's licenses are comprised of the following:

- Three licenses received from the Colombian Ministry of Health and Social Welfare at an aggregate 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 reflected the duration of the license term. The carrying value of these licenses as at August 31, 2023 amounted to $nil (August 31, 2022 - $49,037) as a result of the disposition of the Colombian Assets (Note 4); and
- Cannabis retail license in British Columbia, Canada, in connection with the Fresh Cannabis Acquisition (Note 4). These licenses are considered to be an intangible asset with a definite life and are being amortized straight-line over a five-year period. The carrying value of these licenses amounted to $285,100 as at August 31, 2023 (August 31, 2022 – $nil).

The Company's technology platform is in relation to the OCM Acquisition (Note 4). 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 4). The tradename was determined to be a definite life intangible asset and is a being amortized straight-line over a ten-year period, which reflects the useful life of the asset.

During the year ended August 31, 2023, the amortization on intangible assets amounted to $504,800 (August 31, 2022 – $55,278).

The Company's retail permits are comprised of retail liquor permits that were acquired during the year ended August 31, 2023. These retail liquor permits related to a retail store permit in Creighton, Saskatchewan, for an aggregate price of $601,100; and a retail store permit in Lloydminster, Saskatchewan, for an aggregate price of $17,000.

These retail liquor permits were determined to have an indefinite life and, as a result, there was no amortization charged on these retail liquor permits during the year ended August 31, 2023.

(Amounts Expressed in Canadian Dollars)

6. GOODWILL AND INTANGIBLES (continued)

Goodwill

The Company's goodwill is in relation to the Tirthankar Acquisition (Note 4). On August 31, 2023, the Company performed its annual impairment test on the goodwill amount. The Company performed its goodwill impairment analysis by comparing the carrying amount to the recoverable amount of the CGU calculated using the value in use approach. The Company identified its Ontario Retail operation as a separate CGU due to its integrated operations for the sale of retail cannabis. The key assumptions used for the value in use approach was the five-year discounted cash flow model with a terminal value applied, which included various significant unobservable inputs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy are subject to volatility and several uncontrollable factors which would significantly affect the present value of the discounted cash flows, were used by management as part of this model:

i. Revenue growth rate of 20% for fiscal year 2024 and 2% incremental thereafter – represents the ability of the Company to generate revenue, based on past performance and its expectation of future performance;
ii. Cost of sales percentage of 80% – calculated as a percentage of revenue, based on past results and its expectation of future results;
iii. Weighted average cost of capital of 12.9% – calculated as weighted average cost of the Company's cost of equity and cost of debt; and
iv. Earnings before interest, taxes, depreciation and amortization rate between 7% - 8% – calculated as projected gross profit less projected total operating expenses.

There was no impairment recorded in relation to the goodwill during the year ended August 31, 2023 and 2022.

7. RIGHT-OF-USE ASSETS

The Company's right-of-use assets were comprised of the following:

		Right-of-Use Assets
As at August 31, 2021	**$**	**22,636**
Additions from the Tirthankar Acquisition *(Note 4)*		2,419,616
Depreciation		(22,636)
As at August 31, 2022	**$**	**2,419,616**
Additions from the Fresh Cannabis Acquisition *(Note 4)*		108,689
Additions from the Greenery Cannabis Acquisition *(Note 4)*		135,177
Additions		2,155,710
Termination of lease		(131,712)
Depreciation		(365,792)
As at August 31, 2023	**$**	**4,321,688**

(Amounts Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment was comprised of the following:

	Land and Building $	Machinery Equipment $	Furniture and Fixtures $	Vehicle $	Total $
Cost					
At August 31, 2021	**2,570,705**	**1,901,549**	**109,966**	**-**	**4,582,220**
Additions	-	218,484	-		218,484
Additions - Tirthankar acquistion	21,898	48,654	67,272	26,483	164,306
At August 31, 2022	**2,592,603**	**2,168,687**	**177,238**	**26,483**	**4,965,010**
Additions	1,935,661	160,236	8,728	-	2,104,625
Disposals	(2,570,705)	(2,120,033)	(109,966)	-	(4,800,704)
At August 31, 2023	**1,957,559**	**208,890**	**76,000**	**26,483**	**2,268,932**
Accumulated Depreciation					
At August 31, 2021	**60,486**	**563,060**	**36,175**	**-**	**659,721**
Depreciation for the year	52,992	499,764	22,442	-	575,198
At August 31, 2022	**113,478**	**1,062,824**	**58,617**	**-**	**1,234,919**
Depreciation for the year	73,857	38,632	21,491	7,944	141,924
Disposals	(113,477)	(1,062,824)	(58,617)	-	(1,234,918)
At August 31, 2023	**73,858**	**38,632**	**21,491**	**7,944**	**141,925**
Net Book Value					
At August 31, 2022	2,479,125	1,105,863	118,621	26,483	3,730,091
At August 31, 2023	**1,883,702**	**170,258**	**54,509**	**18,539**	**2,127,007**

The Company's had a facility in Colombia representing $1,120,562 of land and building. On March 10, 2023, this facility was sold in conjunction with the Colombian Assets (Note 4). The land and building were not in use for the period from September 1, 2022 to March 10, 2023. Accordingly, no depreciation was recorded on these assets.

During the year ended August 31, 2023, the Company disposed of its certain property, plant, and equipment through the disposition of Leviathan USA (Note 4).

9. LONG-TERM DEBT

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

	August 31, 2023	August 31, 2022
Woodstock (a)	$ -	$ -
Bridge Loan (b)	1,898,797	7,968,122
Colombia Mortgage (c)	-	-
Government Loan (d)	-	32,446
US Loan (e)	-	634,088
Other Loans (f)	-	80,329
	$ 1,898,797	$ 8,714,985
Less: current portion	1,898,797	1,455,254
	$ -	$ 7,259,731

The lease liabilities are disclosed in 9(g) below.

(Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT (continued)

a) Woodstock

The Company had 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 had no obligations associated with these mortgages as at August 31, 2023 and 2022 (Note 4).

	August 31, 2023	August 31, 2022
Opening balance	$ -	$ 4,403,728
Interest expense	-	298,065
Debt extinguishment from sale	-	(4,701,793)
Closing balance	**$ -**	**$ -**
Less: current portion	-	-
Non-current portion	**$ -**	**$ -**

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 (on 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 amounting to $9,929 was recorded in the consolidated statements of operations and comprehensive loss during the year ended August 31, 2022.

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.

	August 31, 2023	August 31, 2022
Opening balance	$ 7,968,122	$ 6,485,345
Draws	1,500,000	738,045
Discount	-	(162,156)
Interest expense	255,073	796,496
Accretion expense	558,477	848,437
Disposal of Colombian Assets (Note 4)	(1,050,000)	-
Disposal of Leviathan USA (Note 4)	(3,332,875)	-
Payments	(4,000,000)	(738,045)
Closing balance	**$ 1,898,797**	**$ 7,968,122**
Less: current portion	(1,898,797)	821,165
Non-current portion	**$ -**	**$ 7,146,957**

(Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT (continued)

c) Colombia Mortgage

On November 18, 2019, the Company, through its subsidiary Grupo LCG SAS, acquired a farm property located on 22.43 flat acres land in Carmen de Viboral, Colombia. The purchase price for the facility was 3.225 billion Colombian pesos (CAD $1.29 million). The Company paid C$429,000 during the year. 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 Colombia (the "Colombia Mortgage").

During the year ended August 31, 2022, the Company repaid the Colombia Mortgage in its entirety in the amount of $832,888, inclusive of $130,802 of interest expense incurred during the year ended August 31, 2022 and discharged the mortgage. Accordingly, the Company had no obligations associated with the Colombia Mortgage as at August 31, 2023 and 2022.

d) Government Loan

As at August 31, 2023, the Company had no outstanding balance payable for the Canada Emergency Business Account ("CEBA") (August 31, 2022 – $60,000). 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 would result in an aggregate forgiveness of $20,000 of the total $60,000 loan. The CEBA loan was paid in full during the year ended August 31, 2023, and accordingly, the Company does not have any obligations outstanding in relation to the CEBA loan.

		August 31, 2023		August 31, 2022
Opening balance	$	32,446	$	64,892
Modification of debt		-		(9,929)
Accretion expense		7,554		4,965
Payments		(40,000)		(27,482)
Closing balance	**$**	**-**	**$**	**32,446**
Less: current portion				-
Non-current portion	**$**	**-**	**$**	**32,446**

e) 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 year ended August 31, 2023, the Company disposed of Leviathan USA, Inc. (Note 4) and accordingly, no longer had any obligations related to this loan.

		August 31, 2023		August 31, 2022
Opening balance	$	634,088	$	588,362
Draws		-		-
Discount		-		-
Interest expense		21,999		82,389
Accretion expense		7,486		26,308
Derecognition on disposal of Leviathan USA (Note 4)		(663,573)		(62,971)
Closing balance	**$**	**-**	**$**	**634,088**
Less: current portion		-		634,088
Non-current portion	**$**	**-**	**$**	**-**

(Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT (continued)

f) Other loans

The Company had loans as at August 31, 2022 in the amount of $80,329, which were non-interest bearing, with no set terms of repayment. These were included in accounts payable and accrued liabilities as at August 31, 2023.

		August 31, 2023		August 31, 2022
Opening balance	$	80,239	$	-
Loans acquired from Tirthankar		-		1,880,329
Draws		-		35,000
Discount		-		(313)
Interest expense		-		753
Accretion expense		-		313
Transferred to accounts payable and accrued liabilities		(80,329)		313
Payment		-		(1,835,753)
Closing balance	**$**	**-**	**$**	**80,329**

g) Lease liabilities

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

		August 31, 2023		August 31, 2022
Opening balance	$	2,419,615	$	17,564
Termination of lease		(135,058)		-
Additions from the Tirthankar Acquisition *(Note 4)*		-		2,419,615
Additions from the Fresh Cannabis Acquisition *(Note 4)*		108,689		-
Additions from the Greenery Cannabis Acquisition *(Note 4)*		135,177		-
Additions during the year		2,155,710		-
Interest expense		428,342		418
Lease payments		(617,064)		(17,982)
Closing balance	**$**	**4,495,411**	**$**	**2,419,615**
Less: current portion		348,250		339,701
Non-current portion	**$**	**4,147,161**	**$**	**2,079,914**

As at August 31, 2023, the following table presents the contractual undiscounted cash flows for lease obligations:

Less than one year	$	746,944
One to five years	$	2,777,037
Greater than five years	$	1,934,354

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)

Shares subscription received:

On September 21, 2023, the Company closed a non-brokered private placement financing through the issuance 3,333,333 common shares at a price of $1.50 per common share for gross aggregate proceeds of $5,000,000. The Company received $3,000,000, from these expected gross proceeds of $5,000,000, during the year ended August 31, 2023. As the private placement offering had not yet closed, these have been classified as shares subscription received as at August 31, 2023.

Fiscal 2023

- On November 9, 2022, the Company closed a private placement financing by issuance of 4,000,000 common shares at a price of $1.45 per share for total gross proceeds of $5,800,000.
- On June 9, 2023, the Company announced a $5,000,000 non-brokered private placement to issue 3,333,333 common shares in the capital of the Company at a price of $1.50 per common share for total gross proceeds of up to $5,000,000.

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).
- 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 4).
- On August 31, 2022, the Company issued 250,000 bonus shares at a price of $1.12 per common share to Tirthankar's employees.
- During the year ended August 31, 2022, 75,000 stock options were exercised at a price of $0.60 per share (see Note 10(b)).
- During the year ended August 31, 2022, 751,666 warrants were exercised at a price of $0.60 per share (see Note 10(c)).

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 expense for the year ended August 31, 2023 amounted to $962,704 (August 31, 2022 – $1,311,671). Share-based compensation expense was from the vesting of previously issued options during the year ended August 31, 2023.

During the year ended August 31, 2023,1,550,000 (2022 - 5,875,000) stock options expired, unexercised. In connection with the expiry of these stock options, a reclassification of the contributed surplus amount in the amount of $486,099 (2022 – $1,935,236) was directly debited to accumulated deficit.

(Amounts Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

b) Stock options (continued)

On March 21, 2022, the Company granted 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 fair value of these options was determined at $579,200 using 119% volatility, 3-year expected life, 2.05% discount rate, 0% expected dividend. 1,000,000 of these options vest on March 21, 2024 and expire on March 21, 2026. The fair value of these 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 1,000,000 stock options to an officer of the Company 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 fair 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 fair 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 fair 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 fair 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 options activity for the years ended August 31, 2023 and 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
Outstanding, August 31, 2022	4,550,000	0.82
Expired	(1,550,000)	0.60
Exercised	-	-
Issued	-	-
Outstanding, August 31, 2023	3,000,000	0.86

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at August 31, 2023 are as follows:

Date of Grant	Exercise Price ($)	Number Outstanding	Number Exercisable	Remaining Life (Years)
Mar 21, 2022	0.82	2,000,000	1,250,000	1.56 - 2.56
Jun 3, 2022	0.95	1,000,000	500,000	1.76 - 2.76
		3,000,000	1,750,000	

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 (the “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 fair value represented approximately 33% of the fair value of the Unit with the remaining 67% attributed to the fair 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.

(Amounts Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

c) Warrants (continued)

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 year 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 year ended August 31, 2023, there were no warrants issued and outstanding.

11. INTEREST IN SUBSIDIARIES

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

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

Subsidiary	Domicile	Ownership Interest – August 31, 2023	Ownership Interest – August 31, 2022	Date Control Acquired
Bathurst Resources Corp.	Canada	100%	100%	December 31, 2013
Jekyll and Hyde Brand Builders Inc.	Canada	100%	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 (ii)	Colombia	-%	100%	August 21, 2019
Natural Origins SAS (ii)	Colombia	-%	100%	August 17, 2021
One Cannabis Market Inc.	Canada	100%	100%	June 9, 2022
T Cannabis NW Inc.	Canada	100%	100%	August 31, 2022
Tirthankar Limited	Canada	100 %	100 %	August 31, 2022
T CANN MGMT CORP.	Canada	100 %	100 %	August 31, 2022
Cost Cannabis Inc. (SK)	Canada	100%	100%	August 31, 2022
Cost Cannabis Inc. (BC)	Canada	100%	-%	December 1, 2022
Fresh Cannabis Co. Inc. (iii)	Canada	100%	-%	December 1, 2022
1267842 B.C. Ltd. (iv)	Canada	100%	-%	December 14, 2022
Costcan Liquor Inc. (AB)	Canada	100%	-%	May 24, 2023

(i) During the year ended August 31, 2022, the Company acquired the remaining 10% of Leviathan US, Inc. for US$25,000. During the year ended August 31, 2023, the Company disposed of this subsidiary (Note 4).

(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. On March 10, 2023, the Company disposed of its interest in LCG Holdings Inc., and its subsidiaries, Grupo LCG SAS and Natural Origins SAS, a wholly-owned subsidiary of Grupo LCG SAS (Note 4).

(iii) Fresh Cannabis Co. Inc. was acquired during the year ended August 31, 2023 (Note 4) is a wholly-owned subsidiary of Cost Cannabis Inc. (BC).

(iv) 1267842 B.C. Ltd. was acquired during the year ended August 31, 2023 (Note 4) and is a wholly-owned subsidiary of Cost Cannabis Inc. (BC).

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended August 31, 2023 was based on the net loss attributable to common shareholders in the amount of $913,857 (August 31, 2022 – $4,737,329) and the weighted average number of common shares outstanding of 113,636,479 (August 31, 2022 – 89,041,180). The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

(Amounts Expressed in Canadian Dollars)

13. RELATED PARTY BALANCES AND TRANSACTIONS

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

For the year ended August 31,	2023	2022
Salaries, wages and consulting fees	$ 692,534	$ 431,183
Share-based compensation	962,704	941,096
	$ 1,655,238	**$ 1,372,279**

(a) As at August 31, 2023, $104,861 (August 31, 2022 - $34,905) due to directors, officers, shareholders, and such corporations owned by these individuals with common control by way of officer or director, 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 loan was interest bearing 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 in April 2022.

(c) As per the terms of the Tirthankar Agreement, the Company had a payable of up to 1.5% of sales along with a monthly management fee to a company owned by the CEO of the Company, Tanvi Bhandari. During the year ended August 31, 2023, the management fee expense amounted to $474,384, which has been included in salaries, wages, and consulting fees on the consolidated statement of operations and comprehensive loss.

(d) One Cannabis Market Inc.'s majority ownership was by a corporation that was owned by an immediate family member of the CEO of the Company, prior to its acquisition by the Company during year ended August 31, 2022.

(e) In connection with the Tirthankar Agreement, the Tirthankar Entities were acquired from the current CEO of the Company. The Tirthankar Agreement was entered into on October 25, 2021, when Tanvi Bhandari was not CEO of the Company. Tanvi was appointed as CEO of the Company on March 7, 2022, prior to the closing of the transaction on August 31, 2022 (Note 4).

(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. Lease payments related to these properties amounted to $91,710 during the year ended August 31, 2023 (August 31, 2022 - $nil).

(g) During the year ended August 31, 2023, the Company purchased inventory from Medical Saints Ltd., a related company by virtue of common officer and director, Lucas Leone, amounting $1,231,493 (August 31, 2022 - $Nil). As at August 31, 2023, the amount outstanding payable amount owed to the related party was $442,821 (August 31, 2022 - $Nil).

14. 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 cannabis sales.

During the year ended August 31, 2023, the Company's revenue and cost of goods sold in relation to its cannabis operating segment amounted to $34,677,559 and $27,192,443, respectively (August 31, 2022 - $842,491 and $1,270,088, respectively). The Company's cannabis revenue and cost of goods sold generated from Canada during the year ended August 31, 2023 amounted to $34,426,651 and $26,819,816 (August 31, 2022 - $nil). The Company's cannabis revenue and cost of goods sold generated from the United States during the year ended August 31, 2023 amounted to $250,908 and $372,627, respectively (August 31, 2022 - $842,491 and $1,270,088, respectively).

The Company's liquor division, which currently represents less than 2% of its overall revenue, had revenues of $663,881 and cost of goods sold of $540,074, respectively, during the year ended August 31, 2023 (2022 - $nil). The CODM did not classify this as a major operating segment during the year ended August 31, 2023.

15. COMMITMENTS AND CONTINGENCIES

Commitments

During the year ended August 31, 2023, the Company entered into various purchase agreements for retail liquor permits in Saskatchewan and Manitoba. These purchase agreements are cancellable at anytime without penalty. As at August 31, 2023, the Company has made various deposits on these retail liquor permits in the amount of $987,300, which has been recorded as prepaid expenses and deposits on the consolidated statements of financial position. As at August 31, 2023, the amount outstanding on these cancellable purchase agreements amounted to an aggregate of $2,973,900, for which the Company has up to eighteen months of payments to make the requisite payments to acquire the retail liquor permits. The Company recognizes these retail permits as intangible assets when the final payment is made as per the purchase agreement and the Company obtains control of the permit. Subsequent to August 31, 2023, the Company acquired a retail liquor permit in Watrous, Saskatchewan, for an aggregate purchase price of $724,500 (the "Watrous Liquor Permit"). The amount reflected as a prepaid expenses and deposits in relation to the Watrous Liquor Permit as at August 31, 2023 amounted to $181,125.

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 these 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. During the year ended August 31, 2023, no provision was recorded in these consolidated financial statements in relation to the below legal proceedings:

(a) 1CM Inc. and Woodstock are defendants in an action commenced by a former employee in Ontario Superior Court of Justice (Brantford). Pleadings have been exchanged and examinations for discovery have been completed. The Plaintiff will need to set the matter down for trial to proceed. The action may be administratively dismissed on or after February 22, 2024. The total amount claimed is $80,000.

(b) A former employee has commenced an application against 1CM Inc. for a declaration that he was entitled certain options that were issued in fiscal 2021. The application is scheduled to be heard on February 22, 2024. Management believes that this will be administratively dismissed and intends on defending its position to the fullest extent possible.

16. 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.

17. COMPARATIVE INFORMATION

Certain items on the consolidated statements of operations and comprehensive loss have been reclassified for consistency with the current year presentation. The result of these reclassifications did not have an impact on the reported net loss and comprehensive loss for the comparative period.

Certain prior year amounts on the Company's consolidated statements of financial position have been reclassified for consistency with current year presentation. This related to the reclassification of the right-of-use assets amounting to $2,419,616, which were presented on a combined basis with property, plant and equipment on the consolidated statements of financial position. In the current year, this has been presented separately on the Company's consolidated statements of financial position.

These reclassifications had no effect on the reported net loss and comprehensive loss previously reported consolidated statements of operations and comprehensive loss, and cash flows from operating activities in the consolidated statements of cash flows.

(Amounts Expressed in Canadian Dollars)

18. DISCONTINUED OPERATIONS

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

Below represents the gain recognized on the Woodstock Sale during the year ended August 31, 2022:

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

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

		2022
Revenue		
Deferred rent revenue	$	355,096
Expenses		
Interest expense		298,065
Professional fees		2,815
General and admin		302
Total expenses		301,182
Net Income from discontinued operations	**$**	**53,914**

Cash flows from discontinued operations are as follows for the year ended August 31, 2022:

		2022
Cash flows from Operating Activities		
Net income for the year	$	53,914
Non-cash items:		
Deferred rent revenue		(355,096)
Net change in non-cash working capital items:		
Accounts receivable		65,547
Sales tax receivable		12,509
Accounts payable and accrued liabilities		(65,547)
Cash used in operating activities		(288,673)

As the Woodstock Sale occurred during the year ended August 31, 2022, there were no discontinued operations in relation to Woodstock Biomed Inc. during the year ended August 31, 2023.

(Amounts Expressed in Canadian Dollars)

19. INCOME TAXES

A reconciliation of the income tax expense (recovery) for the years ended August 31, 2023 and 2022, based on the Canadian federal and blended provincial income tax rate of 26.50% (August 31, 2022 – 26.50%) was comprised of the following:

		August 31, 2023		August 31, 2022
Loss before income tax expense and deferred tax recovery	$	(561,759)	$	(4,941,063)
Expected income tax expense (recovery)		(148,866)		(1,309,382)
Tax rate changes and other adjustments		-		-
Non-deductible expenses		758,926		(89,309)
Share-based compensation		255,117		347,593
Prior year losses applied		(146,232)		-
Change in tax benefits not recognized		(366,847)		1,051,098
Total income tax expense (recovery)	$	352,098	**$**	**-**
Current income tax expense		427,181	$	-
Deferred tax recovery		(75,083)		-

The Company's income tax payable as at August 31, 2023 amounted to $427,275 (August 31, 2022 - $132,369).

The following table summarizes the components of deferred tax assets and liabilities as at August 31, 2023 and 2022:

		August 31, 2023		August 31, 2022
Deferred tax assets				
Capital lease obligations	$	1,191,284	$	641,198
Deferred tax liabilities				
Trademark		(786,635)		(900,000)
Other intangable		(181,253)		-
Right-of-use assets		(1,048,313)		(641,198)
		(2,016,201)		(1,541,198)
Net deferred income tax liabilities	$	(824,917)	$	(900,000)

The following table summarizes the unrecognized temporary differences as at August 31, 2023 and 2022:

		August 31, 2023		August 31, 2022
Property, plant and equipment	$	563,657	$	981,028
Investment		376,050		376,050
Share issuance costs		15,242		15,242
Operating tax losses - Canada		9,927,606		9,773,072
Operating tax losses - Foreign		1,919,159		2,054,310
Capital loss carried forward		31,141		-

20. SUBSEQUENT EVENTS

On September 21, 2023, the Company closed a non-brokered private placement financing through the issuance 3,333,333 common shares at a price of $1.50 per common share for gross aggregate proceeds of $5,000,000 (Note 10(a)).

Subsequent to August 31, 2023, the Company acquired a retail liquor permit in Watrous, Saskatchewan, for an aggregate purchase price of $724,500 (Note 15).