1CM INC.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended February 29, 2024 and February 28, 2023

(Unaudited - Expressed in Canadian Dollars)

1CM INC.

Table of Contents

Notice to Reader Issued by Management

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

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

April 29, 2024

1CM INC.

Condensed Interim Consolidated Statements of Financial Position
As at February 29, 2024 and August 31, 2023
(Unaudited - Amounts Expressed in Canadian Dollars)

	February 29, 2024 $	August 31, 2023 $
Assets		
Current Assets		
Cash	**3,121,854**	3,079,183
Accounts receivable and other receivables	**270,492**	113,436
Inventories *(Note 5)*	**4,465,997**	4,204,482
Prepaid expenses and deposits *(Note 15)*	**2,333,462**	1,136,587
	10,191,805	8,533,688
Investment	**25,000**	25,000
Goodwill and intangibles *(Note 6)*	**19,486,944**	19,011,382
Right-of-use assets *(Note 7)*	**4,270,823**	4,321,688
Property, plant and equipment *(Note 8)*	**2,162,109**	2,127,007
	36,136,681	34,018,765
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**1,997,114**	1,601,057
Sales tax payable	**445,094**	176,226
Income tax payable	**427,275**	427,275
Current portion of lease liabilities *(Note 9(d))*	**366,889**	348,250
Current portion of long-term debt *(Note 9(a))*	**1,477,244**	1,898,797
	4,713,616	4,451,605
Deferred tax liabilities	**787,085**	824,917
Lease liabilities *(Note 9(d))*	**4,182,297**	4,147,161
	9,682,998	9,423,683
Shareholders' Equity		
Share capital *(Note 10(a))*	**65,946,030**	60,946,030
Share subscriptions received *(10(a))*	**-**	3,000,000
Options (*Note 10(b))*	**2,055,399**	1,777,875
Accumulated deficit	**(41,547,746)**	(41,128,823)
Total shareholders' equity	**26,453,683**	24,595,082
Total liabilities and shareholders' equity	**36,136,681**	34,018,765

Going Concern (Note 1), Commitments and contingencies (Note 15)

Approved on behalf of the Board:

"Lucas Leone", Director
(signed)

"Tanvi Bhandari", Director
(signed)

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

1CM INC.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the Three and Six Months Ended February 29, 2024 and February 28, 2023
(Unaudited - Amounts Expressed in Canadian Dollars)

	Three Months Ended February 29, 2024	Three Months Ended February 28, 2023	**Six Months Ended February 29, 2024**	Six Months Ended February 28, 2023
	$	$	**$**	$
Revenue				
Sales *(Note 14)*	**13,291,674**	7,693,225	**25,613,532**	15,099,413
Cost of sales *(Note 5, 13)*	**10,576,336**	5,970,039	**20,439,022**	11,783,131
Gross Profit	**2,715,338**	1,723,186	**5,174,510**	3,316,282
Expenses				
Salaries, wages and consulting fees *(Note 13)*	**1,366,623**	594,524	**2,560,355**	1,355,959
Office and general	**356,716**	449,138	**918,955**	819,491
Operational and utilities	**164,253**	233,015	**522,937**	495,444
Professional fees	**163,632**	131,678	**363,948**	270,612
Depreciation (*Note 7, 8*)	**180,669**	128,944	**355,577**	196,154
Interest, net *(Note 9)*	**169,249**	225,765	**335,185**	714,465
Amortization of intangible assets *(Note 6)*	**124,469**	147,755	**248,938**	266,235
Share-based compensation *(Note 10(b))*	**187,074**	435,549	**277,524**	871,098
Investors relations and fees	**39,223**	12,578	**55,843**	31,580
Gain on sale of subsidiaries, net *(Note 4)*	**-**	(129,780)	**-**	(1,527,994)
	2,751,908	2,229,166	**5,639,262**	3,493,044
Loss before income tax recovery (expense)	**(36,570)**	(505,980)	**(464,752)**	(176,762)
Deferred tax recovery	**22,915**	22,500	**45,829**	45,000
Net loss	**(13,655)**	(483,480)	**(418,923)**	(131,762)
Other Comprehensive Income (Loss)				
Foreign currency translation	**-**	(335)	**-**	(190,182)
Comprehensive loss	**(13,655)**	(483,815)	**(418,923)**	(321,944)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**117,736,935**	114,403,602	**117,352,320**	112,856,641
Basic and Diluted Loss per Share	**(0.000)**	(0.004)	**(0.004)**	(0.001)

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

1CM INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended February 29, 2024 and February 28, 2023
(Unaudited - Amounts Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share subscriptions received	Options	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, August 31, 2022	**110,403,602**	**$ 55,146,030**	**$ -**	**$ 1,301,270**	**$ (40,701,065)**	**$ (365,696)**	**$ 15,380,539**
Vesting of stock options *(Note 10(b))*	-	-	-	871,098	-	-	871,098
Expiry of stock options *(Note 10(b))*	-	-	-	(7,973)	7,973	-	-
Issuance of shares on private placement *(Note 10(a))*	4,000,000	5,800,000	-	-	-	-	5,800,000
Net loss and comprehensive loss	-	-	-	-	(131,762)	(190,182)	(321,944)
Balance, February 28, 2023	**114,403,602**	**60,946,030**	**-**	**2,164,395**	**(40,824,854)**	**(555,878)**	**21,729,693**
Balance, August 31, 2023	**114,403,602**	**$ 60,946,030**	**$ 3,000,000**	**$ 1,777,875**	**$ (41,128,823)**	**$ -**	**$ 24,595,082**
Vesting of stock options *(Note 10(b))*	-	-	-	277,524	-	-	277,524
Issuance of shares on private placement *(Note 10(a))*	3,333,333	5,000,000	(3,000,000)	-	-	-	2,000,000
Net loss and comprehensive loss	-	-	-	-	(418,923)	-	(418,923)
Balance, February 29, 2024	**117,736,935**	**65,946,030**	**-**	**2,055,399**	**(41,547,746)**	**-**	**26,453,683**

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

1CM INC.

Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended February 29, 2024 and February 28, 2023
(Unaudited - Amounts Expressed in Canadian Dollars)

	February 29, 2024	February 28, 2023
	$	$
Cash Flows from (used in) Operating Activities		
Net loss	**(418,923)**	(131,762)
Add-back (deduct) non-cash items		
Depreciation *(Note 7, 8)*	**355,577**	196,154
Amortization of intangible assets *(Note 6)*	**248,938**	266,235
Interest and accretion *(Note 9 (a)(d))*	**335,185**	714,465
Share-based compensation *(Note 10(b))*	**277,524**	871,098
Gain on sale of subsidiary *(Note 4)*	**-**	(1,527,994)
Deferred tax recovery	**(45,829)**	(45,000)
Changes in non-cash working capital:		
Accounts receivables and other assets	**(157,056)**	156,690
Prepaid expenses and deposits	**(1,196,875)**	12,527
Sales tax payable	**268,868**	(18,580)
Inventories	**(261,515)**	(611,706)
Accounts payable and accrued liabilities	**404,053**	88,835
Cash flows (used in) from operating activities	**(190,053)**	(29,038)
Cash Flows from (used in) Financing Activities		
Lease payments	**(385,927)**	(292,537)
Proceeds from private placement *(Note 10(a))*	**2,000,000**	5,800,000
Repayments of long-term debt *(Note 9(b))*	**(500,000)**	(7,332,875)
Cash flows from (used in) financing activities	**1,114,073**	(1,825,412)
Cash Flows from (used in) Investing Activities		
Proceeds from disposal of Leviathan USA	**-**	3,332,875
Acquisitions	**-**	(445,000)
Additions to intangible assets	**(724,500)**	-
Additions to property, plant and equipment	**(156,849)**	-
Cash flows from (used in) investing activities	**(881,349)**	2,887,875
Increase in cash	**42,671**	1,033,425
Effect of foreign exchange translation	**-**	(182,807)
Cash, beginning of period	**3,079,183**	2,236,949
Cash, end of period	**3,121,854**	3,087,567

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of Business

1CM Inc. (the "Company") is a multi-jurisdictional company, focused on becoming a leader in cannabis and other complementary and substitutable vice retail industries including Liquor, Tobacco and Nicotine. The Company aims to expand its current operations through organic growth and by way of merger and acquisition transactions. The Company's current operations are located in Canada. 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 condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

For the three and six months ended February 29, 2024, the Company reported a net loss of $13,655 and $418,923 respectively (February 28, 2023 – $483,480 and $131,762, respectively) and, as at February 29, 2024, had a deficit of $41,547,746 (August 31, 2023 – $41,128,823) and working capital surplus of $5,478,189 (August 31, 2023 – $4,082,083). 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 condensed interim consolidated financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed interim consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the condensed interim consolidated statements of financial position classifications used. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

These condensed interim consolidated financial statements were approved by the Board of Directors on April 29, 2024.

Basis of presentation and consolidation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's subsidiaries are listed in Note 11.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency

The condensed interim consolidated financial statements of the Company are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar. 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 condensed interim 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 condensed interim consolidated statements of operations and comprehensive loss.

Significant accounting estimates, judgements, and assumptions

The preparation of the Company's condensed interim 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 condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

<u>Valuation of inventories</u>

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for obsolete, slow moving and defective inventories are recognized in the condensed interim 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.

<u>Warrants and stock options</u>

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

<u>Carrying values of tangible assets</u>

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.

<u>Carrying values of goodwill and other intangible assets</u>

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates, judgements, and assumptions (continued)

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 condensed interim 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.

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 condensed interim consolidated financial statements for the period in which such changes occur.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent and future accounting pronouncements

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

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

The 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 condensed interim consolidated financial statements.

3. FINANCIAL RISK FACTORS

The Company's risk exposure and the associated 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 February 29, 2024, 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 six months ended February 29, 2024, the Company did not have any acquisitions or 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 was reflected in gain on sale of subsidiaries, net, in the annual audited consolidated statements of operations and comprehensive loss.

(Unaudited - Amounts Expressed in Canadian Dollars)

4. ACQUISITIONS AND DISPOSALS (continued)

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)**

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 $1,398,214 during the six months ended February 28, 2023. This gain is reflected in gain on sale of subsidiaries, net, in the condensed interim consolidated statements of operations and comprehensive loss.

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.

(Unaudited - 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.

5. INVENTORIES

As at February 29, 2024 and August 31, 2023, the components of the Company's inventories are as follows:

	February 29, 2024	August 31, 2023
Accessories	$ 350,861	$ 158,478
Finished goods	4,115,136	4,046,004
	$ 4,465,997	**$ 4,204,482**

Inventories recognized as an expense, included in cost of sales, during the three and six months ended February 29, 2024 amounted to $10,576,336 and $20,439,022, respectively (February 28, 2023 – $5,970,039 and $11,783,131, respectively).

(Unaudited - 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, 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**
Additions during the period	-	-	-	724,500	-	724,500
Disposals during the period	-	-	-	-	-	-
As at February 29, 2024	**335,250**	**505,000**	**3,298,257**	**1,342,600**	**14,735,751**	**20,216,858**
Accumulated Amortization						
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**
Amortization during the period	33,525	50,500	164,913	-	-	248,938
Disposals during the period	-	-	-	-	-	-
As at February 29, 2024	**83,675**	**151,500**	**494,739**	**-**	**-**	**729,914**
Net Book Value						
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
As at February 29, 2024	**251,575**	**353,500**	**2,803,518**	**1,342,600**	**14,735,751**	**19,486,944**

Intangible Assets

The Company's licenses are in relation to a 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 $251,575 as at February 29, 2024 (August 31, 2023 – $285,100).

The Company's technology platform is 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 trade name is in relation to the Tirthankar Acquisition. The trade name 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 three and six months ended February 29, 2024, the amortization on intangible assets amounted to $124,469 and $248,938, respectively, (February 28, 2023 – $147,755 and $266,235, respectively).

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. During the six months ended February 29, 2024, the Company acquired a retail liquor permit in Watrous, Saskatchewan, for an aggregate purchase price of $724,500 (the "Watrous Liquor Permit"). The Watrous Liquor Permit prepaid balance amounted to $181,125 as at August 31, 2023 (Note 15).

These retail liquor permits were determined to have an indefinite life and, as a result, there has been no amortization recorded on these retail liquor permits to date.

(Unaudited - Amounts Expressed in Canadian Dollars)

6. GOODWILL AND INTANGIBLES (continued)

Goodwill

The Company's goodwill is in relation to the Tirthankar Acquisition. 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.

During the six months ended February 29, 2024 and 2023, there were no events or changes in circumstances that indicating that the carrying amount of the goodwill would not be recoverable. There was no impairment recorded in relation to the goodwill during the year ended August 31, 2023 and during the three and six months ended February 29, 2024 and February 28, 2023.

7. RIGHT-OF-USE ASSETS

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

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**
Additions		182,964
Depreciation		(233,829)
As at February 29, 2024	**$**	**4,270,823**

(Unaudited - 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, 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)	(109,965)	-	(4,800,703)
At August 31, 2023	**1,957,559**	**208,890**	**76,001**	**26,483**	**2,268,932**
Additions	139,625	17,224	-	-	156,849
Disposals	-	-	-	-	-
At February 29, 2024	**2,097,184**	**226,114**	**76,001**	**26,483**	**2,425,781**
Accumulated Depreciation					
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**
Depreciation for the period	80,416	26,614	10,745	3,972	121,747
Disposals	-	-	-	-	-
At February 29, 2024	**154,274**	**65,246**	**32,236**	**11,916**	**263,672**
Net Book Value					
At August 31, 2023	1,883,701	170,258	54,510	18,539	2,127,007
At February 29, 2024	**1,942,910**	**160,868**	**43,765**	**14,567**	**2,162,109**

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).

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). There were no disposals similar in nature during the six months ended February 29, 2024.

9. LONG-TERM DEBT

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

a) 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. 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. The Company is in discussions with the lender and the Bridge Loan is expected to be formally extended to December 31, 2024.

The Company discounted the future cash flows of the modified Bridge Loan at an effective rate of 16%.

(Unaudited - Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT (continued)

a) Bridge Loan (continued)

	February 29, 2024	August 31, 2023
Opening balance	$ 1,898,797	$ 7,968,122
Draws	-	1,500,000
Interest expense	47,216	255,073
Accretion expense	31,231	558,477
Disposal of Colombian Assets (Note 4)	-	(1,050,000)
Disposal of Leviathan USA (Note 4)	-	(3,332,875)
Payments	(500,000)	(4,000,000)
Closing balance	**$ 1,477,244**	**$ 1,898,797**
Less: current portion	(1,477,244)	(1,898,797)
Non-current portion	**$ -**	**$ -**

b) Government Loan

As at February 29, 2024 and August 31, 2023, the Company had repaid the outstanding balance payable for the Canada Emergency Business Account ("CEBA"). The CEBA loan was 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 repayment of the CEBA loan on or before January 18, 2024 resulted in an aggregate forgiveness of $20,000 of the total $60,000 loan. The Company repaid the CEBA loan before January 18, 2024 and, accordingly, did not have any obligations outstanding in relation to the CEBA loan. During the year-ended August 31, 2023, the Company had an opening balance of $32,446, accretion expense in the amount of $7,554, and total payments of $40,000.

c) 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
Opening balance	$ 634,088
Interest expense	21,999
Accretion expense	7,486
Derecognition on disposal of Leviathan USA (Note 4)	(663,573)
Closing balance	**$ -**

(Unaudited - Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT (continued)

d) Lease liabilities

The following is a reconciliation of the Company's lease liabilities as at February 29, 2024 and August 31, 2023:

	February 29, 2024	August 31, 2023
Opening balance	$ 4,495,411	$ 2,419,615
Termination of lease	-	(135,058)
Additions	182,964	2,155,710
Interest expense	256,738	428,342
Lease payments	(385,927)	(617,064)
Closing balance	**$ 4,549,186**	**$ 4,495,411**
Less: current portion	366,889	348,250
Non-current portion	**$ 4,182,297**	**$ 4,147,161**

As at February 29, 2024, 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	$ 1,560,882

10. SHARE CAPITAL AND RESERVES

a) Share Capital

Authorized:

Unlimited number of common shares.

Issued and outstanding:

117,736,935 (August 31, 2023 – 114,403,602) common shares

Six Months Ended February 29, 2024

- On September 21, 2023, the Company closed a non-brokered private placement financing through the issuance of 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, which was classified as shares subscription received as at August 31, 2023.

Fiscal 2023

- 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. 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 closed as at August 31, 2023, these were classified as shares subscriptions received.
- 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.

(Unaudited - Amounts Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

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 three and six months ended February 29, 2024 amounted to $187,074 and $277,524, respectively (February 28, 2023 – $435,749 and 871,098, respectively). Share-based compensation expense was from the vesting of previously issued stock options along with the issuance of new stock options as detailed below.

During the year ended August 31, 2023, 1,550,000 (August 31, 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 (August 31, 2022 – $1,935,236) was directly debited to accumulated deficit. There were no such transactions during the six months ended February 29, 2024.

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 $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.

On January 9, 2024, the Company granted 2,013,500 stock options to certain employees and consultants of the Company. These options are exercisable at a price of $1.50 per common share for a period of ten years, vesting three years after issuance. The fair value of the stock options, based on the Black-Scholes valuation model, amounted to $2,923,637 using the following inputs: 173% volatility, 10-year expected life, 3.23% discount rate, 0% expected dividend. These stock options were issued to arms' length parties.

A summary of the Company's stock options activity for the six months ended February 29, 2024 and year ended August 31, 2023 is as follows:

	Number of Options	Weighted-Average Exercise Price ($)
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
Issued	2,013,500	1.50
Exercised	-	-
Expired/forfeited	-	-
Outstanding, February 29, 2024	5,013,500	1.12

(Unaudited - Amounts Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at February 29, 2024 are as follows:

Date of Grant	Exercise Price ($)	Number Outstanding	Number Exercisable	Remaining Life (Years)
Mar 21, 2022	0.82	2,000,000	1,750,000	1.06 - 2.06
Jun 3, 2022	0.95	1,000,000	750,000	1.26- 2.26
Jan 9, 2024	1.50	2,013,500	-	9.86
		5,013,500	**2,125,000**	**4.93**

c) Warrants

There were no common share purchase warrants issued and outstanding as at February 29, 2024 and August 31, 2023.

11. INTEREST IN SUBSIDIARIES

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

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

Subsidiary	**Domicile**	**Ownership Interest – February 29, 2024**	**Ownership Interest – August 31, 2023**	**Date Control Acquired**
Bathurst Resources Corp.	Canada	100%	100%	December 31, 2013
Jekyll and Hyde Brand Builders Inc.	Canada	100%	100%	December 22, 2017
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%	100%	December 1, 2022
Fresh Cannabis Co. Inc. (iii)	Canada	100%	100%	December 1, 2022
1267842 B.C. Ltd. (iv)	Canada	100%	100%	December 14, 2022
Costcan Liquor Inc. (AB)	Canada	100%	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 three and six months ended February 29, 2024 was based on the net loss attributable to common shareholders in the amount of $13,655 and $418,923, respectively (February 28, 2023 – $483,480 and $131,762) and the weighted average number of common shares outstanding of 117,736,935 and 117,352,320, respectively, (February 28, 2023 – 114,403,602 and 112,856,641). The inclusion of the Company's stock options 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.

13. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions as at and for the three and six months ended February 29, 2024 and February 28, 2023, and the balances as at those dates, not disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

(a) During the three and six months ended February 29, 2024, the Company expensed $76,000 and $152,000, respectively (February 28, 2023 – $76,000 and $152,000, respectively) in salaries and consulting fees payable to officers and directors of the Company and in fees payable to corporations related by virtue of a common officer and director.

(b) During the three and six months ended February 29, 2024, the Company expensed $51,028 and $141,478 (February 28, 2023 – $256,087 and $611,924, respectively) in share-based compensation related to officers and directors of the Company. The share-based compensation relates to the vesting of option grants related to the Harshil Chovitaya, CFO of the Company, and Lucas Leone, director of the Company.

(c) As at February 29, 2024, $149,509 (August 31, 2023 - $104,861) due to the CEO of the Company, Tanvi Bhandari. This has been included in accounts payable and accrued liabilities.

(d) 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. During the three and six months ended February 29, 2024, the management fee expense in relation to the Tirthankar Agreement amounted to $133,943 and $256,135, respectively (February 28, 2023 - $61,364 and $132,917, respectively), which has been included in salaries, wages, and consulting fees on the condensed interim consolidated statement of operations and comprehensive loss.

(e) 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 during the three and six months ended February 29, 2024 amounted to $23,265 and $46,380, respectively (February 28, 2023 - $22,815 and $45,480, respectively).

(f) During the six months ended February 29, 2024, the Company purchased inventory from Medical Saints Ltd., a related company by virtue of common officer and director, amounted to $214,512 (August 31, 2023 - $1,231,493). As at February 29, 2024, the amount outstanding payable amount owed to the related party was $330,868 (August 31, 2023 - $442,821).

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 three and six months ended February 29, 2024, the Company's revenue in relation to its cannabis operating segment amounted to $12,042,553 and $23,437,221, respectively (February 28, 2023 - $7,693,225 and $15,099,413, respectively) and cost of sales generated from Canada during the three and six months ended February 29, 2024 amounted to $9,534,314 and $18,607,054, respectively, (February 28, 2023 - $5,970,039 and $11,783,131). The Company's cannabis revenue and cost of goods sold generated from the United States during the six months ended February 29, 2024 amounted to $nil (February 28, 2023 – $250,908 and $372,627).

The Company's liquor division during the three and six months ended February 29, 2024, had revenues of $1,249,121 and $2,176,311, respectively, and cost of goods sold of $1,042,022 and $1,831,968, respectively, (February 28, 2023 - $nil). The liquor division operations are only in Canada. The CODM did not classify the liquor division as a major operating segment during the six months ended February 29, 2024 and year ended August 31, 2023, however, expects this to change in the upcoming fiscal period as operations materialize.

15. COMMITMENTS AND CONTINGENCIES

Commitments

As at February 29, 2024, the Company has entered into various purchase agreements for retail liquor permits in Saskatchewan. These purchase agreements are cancellable at anytime without penalty. As at February 29, 2024, the Company had outstanding deposits on these retail liquor permits in the amount of $2,184,175 (August 31, 2023 - $987,300), which have been recorded as prepaid expenses and deposits on the condensed interim consolidated statements of financial position. As at February 29, 2024, the amount outstanding on these cancellable purchase agreements amounted to an aggregate of $1,052,525 (August 31, 2023 - $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. During the six months ended February 29, 2024, 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 February 29, 2024 amounted to $nil (August 31, 2023 - $181,125).

Contingencies

In the normal course of business, the Company is involved in various legal proceedings, the outcomes of which cannot be determined at this time, and, accordingly, no provision has been recorded in these condensed interim consolidated financial statements. The Company believes that there are no current proceedings that will result in a material favourable or unfavourable effect on its condensed interim consolidated statements of financial position or results of operations except for those which have already been accounted for. As at February 29, 2024, no provision has been recorded in these condensed interim consolidated financial statements in relation to the below legal proceedings (August 31, 2023 - $nil):

(a) 1CM Inc. and Woodstock Biomed Inc. (a prior subsidiary of the Company) 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 final outcome remains pending as at the date of these condensed interim consolidated financial statements. 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. The final outcome remains pending as at the date of these condensed interim consolidated financial statements.

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