

**ICANIC BRANDS COMPANY INC.
(FORMERLY INTEGRATED CANNABIS COMPANY, INC.)**

**AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019**
(Expressed in Canadian Dollars)

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A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Integrated Cannabis Company, Inc.

Opinion

We have audited the amended and restated consolidated financial statements of Integrated Cannabis Company, Inc. and its subsidiaries (together, the "Company"), which comprise the amended and restated consolidated statements of financial position as at July 31, 2020 and July 31, 2019, the amended and restated consolidated statements of loss and comprehensive loss for the years ended July 31, 2020, July 31, 2019 and the amended and restated consolidated statements of changes in shareholders' equity for the years ended July 31, 2020 and July 31, 2019, and notes to the amended and restated consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying amended and restated consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and July 31, 2019, and its financial performance and its cash flow for the years ended July 31, 2020 and July 31, 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits 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 Amended and Restated Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the amended and restated consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the amended and restated consolidated financial statements, which indicates that the Company incurred a net comprehensive loss of \$8,046,591 during the year ended July 31, 2020 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$30,784,079 since its inception, and expects to incur further losses in the development of its business. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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.

Restatement of Consolidated Financial Statements

Without modifying our opinion, we draw attention to Note 24 to the amended and restated consolidated financial statements, which explain that the amended and restated consolidated financial statements for the years ended July 31, 2020 and 2019 have been restated from those which we originally reported on November 30, 2020.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

In connection with our audits of the amended and restated 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 amended and restated consolidated financial statements or our knowledge obtained in the audits 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 Amended and Restated Consolidated Financial Statements

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

In preparing the amended and restated consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related 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 Amended and Restated Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the amended and restated 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 amended and restated consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the amended and restated 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 amended and restated 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 amended and restated consolidated financial statements, including the disclosures, and whether the amended and restated 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 group to express an opinion on the amended and restated 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.

The engagement practitioner on the audit resulting in this independent auditor's report is Anthony Chan, CPA, CA.

"A Chan & Company LLP"
Chartered Professional Accountant

Unit# 114B (2nd floor) – 8988 Fraserton Court
Burnaby, BC, Canada V5J 5H8
April 7, 2022

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Amended and Restated Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

AS AT	Restated (note 24) July 31, 2020 \$	Restated (note 24) July 31, 2019 \$
Current assets		
Cash and cash equivalents	2,037,614	4,482,955
Accounts receivable (note 5)	1,039,681	582,420
Government HST recoverable	74,186	47,078
Prepaid expenses and deposits	1,078,807	156,479
Inventory (note 7)	694,855	454,115
Promissory note receivable (note 8)	1,408,427	1,447,268
Loans receivable	-	63,798
	<u>6,333,570</u>	<u>7,234,113</u>
Goodwill (note 11 and 20)	9,079,426	8,904,938
Property and equipment (note 6)	2,031,199	-
Acquisition Deposit (note 9)	26,103,601	25,570,371
Brands and licenses (note 10)	12,866,000	20,366,000
Total Assets	<u>56,413,796</u>	<u>62,075,422</u>
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (note 12)	1,517,192	578,999
Lease liability (note 14)	172,084	-
Loans payable	287,116	83,748
Derivative liability (note 13)	129,745	-
Notes payable (note 13 and 18)	149,636	12,500,000
	<u>2,255,773</u>	<u>13,162,747</u>
Lease liability (note 14)	992,497	-
Deferred income taxes (note 20 and note 21)	4,036,729	3,839,214
Total liabilities	<u>7,284,999</u>	<u>17,001,961</u>
Shareholders' Equity		
Common share capital (note 18)	73,837,645	45,363,279
Shares to be issued (note 18)	9,800	17,600,000
Share subscriptions receivable	(195,663)	(95,286)
Accumulated other comprehensive income (loss)	506,710	(43,443)
Reserves (note 18)	5,754,384	4,436,246
Deficit	(30,784,079)	(22,187,335)
Total shareholders' equity	<u>49,128,797</u>	<u>45,073,461</u>
Total liabilities and shareholders' equity	<u>56,413,796</u>	<u>62,075,422</u>

Nature of operations (Note 1)
Going concern (Note 2)
Subsequent events (Note 25)

Approved on behalf of the board of directors on April 7, 2022

“*Suhas Patel*, Director”

“*Nishal Kumar*, Director”

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Amended and Restated Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Restated (note 24) July 31, 2020 \$	Restated (note 24) July 31, 2019 \$
For the year ended,		
Sales	7,971,497	108,346
Cost of sales (note 6)	(5,862,697)	(99,763)
Gross margin	2,108,800	8,583
Operating Expenses		
Advertising and promotion	993,099	295,514
Accretion (Note 13 and 14)	23,848	-
Bank charges	51,333	2,257
Depreciation (Note 6 and 10)	3,683,425	-
Filing and listing fees	44,875	32,627
Bad debt expense	53,849	-
Interest (Note 13)	6,731	-
Payroll expense	1,316,147	-
Legal and professional fees (Note 17)	369,485	97,092
Management and consulting fees (Note 17)	1,135,304	1,169,636
Office and general expenses	1,117,404	488,341
Share-based compensation (Notes 18)	1,253,788	1,766,041
Transfer agent fees	21,942	14,581
Total operating expenses	(10,071,230)	(3,866,089)
Net loss before other items	(7,962,430)	(3,857,506)
Impairment of advances to Critical Mass Industries (Note 19)	-	(597,310)
Loss on foreign exchange	(8,009)	-
Gain on sale of marketable securities (Note 5)	4,976	-
Gain on settlement of accounts receivable (Note 5)	15,763	-
Gain on settlement of debt (Note 18)	3,844,221	-
Revaluation of derivative liability (Note 13)	15,607	-
Interest revenue	1,694	5,681
Write-off accounts payable	-	4,850
Transaction costs on business combination	-	(1,408,000)
Impairment of intangible assets	(4,311,051)	-
Net loss for the year, before income taxes	(8,399,229)	(5,852,285)
Deferred income tax expense	(197,515)	-
Net Loss for the year	(8,596,744)	(5,852,285)
Foreign currency translation	550,153	(43,443)
Comprehensive loss for the year	(8,046,591)	(5,895,728)
Basic and diluted net loss per share	(0.04)	(0.12)
Weighted average number of common shares outstanding	188,820,716	47,434,643

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Amended and Restated Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the year ended,	Restated (note 24) July 31, 2020 \$	Restated (note 24) July 31, 2019 \$
Operating Activities		
Net loss for the year, before income taxes	(8,399,229)	(5,852,285)
Accretion expense	23,805	-
Interest expense	6,731	-
Impairment of advances to Critical Mass Industries	-	597,310
Revaluation of derivative liability	(15,607)	-
Depreciation	3,725,686	-
Foreign exchange	44,600	-
Gain on settlement of accounts receivable	(15,763)	-
Realized gain on sale of marketable security	(4,976)	-
Gain on settlement of debt	(3,720,034)	-
Consulting services	776,500	201,192
Share-based compensation	1,253,788	1,766,041
Write-off of accounts payable	-	(4,850)
Transaction costs on business combination	-	1,408,000
Impairment of intangible assets	4,311,051	-
Net changes in non-cash working capital		
Accounts receivable	(791,312)	(45,001)
Government HST recoverable	(27,108)	(20,786)
Prepaid expenses and deposits	(922,328)	284,936
Inventory	(240,740)	-
Accounts payable and accrued liabilities	1,029,195	178,185
Net cash used in operating activities	(2,965,741)	(1,487,258)
Investing activities		
Advances to Critical Mass Industries, LLC (note 17)	-	(597,310)
Purchase of property and equipment	(940,522)	-
Rent repayments	(74,466)	-
Proceeds from sale of marketable securities	354,790	-
Cash received from acquisition of subsidiaries	-	449,100
Loans receivable	63,798	-
Loans as acquisition deposit	(533,230)	(1,425,210)
Net cash used in investing activities	(1,129,630)	(1,573,420)
Financing activities		
Proceeds from issuance of shares, net of share issuance cost	881,150	5,471,799
Obligation to issue shares	9,800	-
Loans payable	-	-
Share subscription receivable	49,623	-
Secured loan payable	267,120	-
Exercise of warrants	260,100	395,708
Loans payable	258,696	-
Repayment of loans payable	(57,990)	-
Net cash provided by financing activities	1,668,499	5,867,507
Net change in cash	(2,426,872)	2,806,829
Effect of foreign exchange on cash	(18,469)	(43,443)
Cash, beginning of year	4,482,955	1,719,569
Cash, end of year	2,037,614	4,482,955
Repaid interest	-	-
Taxes paid	-	-

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Amended and Restated Consolidated Statements of Equity
For the Year Ended July 31, 2020
(Expressed in Canadian Dollars)

Common Share Capital								
	Number of shares	Amount	Shares to be issued	Share subscriptions receivable	Reserve for foreign currency translation	Reserve for share-based payments	Deficit	Total
Balance at July 31, 2018	36,023,786	\$ 15,170,422	\$ -	\$ -	\$ -	\$ 3,173,916	\$ (16,335,050)	\$ 2,009,288
Shares issued to acquire Ganja Gold (note 19)	43,200,000	11,880,000	17,600,000	-	-	-	-	29,480,000
Shares issued to acquire 1200665BC (note 18)	30,645,161	11,645,161	-	-	-	-	-	11,645,161
Private placements	22,504,000	5,701,000	-	(95,286)	-	-	-	5,605,714
Exercise of warrants	1,226,769	987,020	-	-	-	(591,312)	-	395,708
Share issuance costs	-	(221,516)	-	-	-	87,601	-	(133,915)
Shares for services	609,677	201,192	-	-	-	-	-	201,192
Share-based compensation	-	-	-	-	-	1,766,041	-	1,766,041
Foreign currency translation	-	-	-	-	(43,443)	-	-	(43,443)
Loss for the year	-	-	-	-	-	-	(5,852,285)	(5,852,285)
Balance at July 31, 2019 (restated – note 24)	134,209,393	\$ 45,363,279	\$ 17,600,000	\$ (95,286)	\$ (43,443)	\$ 4,436,246	\$ (22,187,335)	\$ 45,073,461
Shares for services	1,550,000	776,500	-	-	-	-	-	776,500
Exercise of warrants	693,594	260,100	-	-	-	-	-	260,100
Share exchange agreement (Note 19)	40,000,000	17,600,000	(17,600,000)	-	-	-	-	-
Shares for debt (Note 18)	40,322,580	8,870,966	-	-	-	-	-	8,870,966
Private placements (Note 16)	4,290,000	1,008,150	-	(150,000)	-	64,350	-	922,500
Share issuance costs	-	(41,350)	-	-	-	-	-	(41,350)
Subscription received	-	-	9,800	49,623	-	-	-	59,423
Share-based compensation	-	-	-	-	-	1,253,788	-	1,253,788
Foreign currency translation	-	-	-	-	550,153	-	-	550,153
Loss for the year	-	-	-	-	-	-	(8,596,744)	(8,596,744)
Balance at July 31, 2020 (restated – note 24)	221,065,567	\$ 73,837,645	\$ 9,800	\$ (195,663)	\$ 506,710	\$ 5,754,384	\$ (30,784,079)	\$ 49,128,797

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Amended and Restated Consolidated Financial Statements
For the Year Ended July 31, 2020
(Expressed in Canadian Dollars)

1. Nature of Operations

Icanic Brands Company Inc. (the “Company”) (Formerly Integrated Cannabis Company, Inc.) was incorporated on September 15, 2011, under the laws of the province of British Columbia and is registered extra-provincially under the laws of Ontario. The Company is a cannabis branded products manufacturer based in California, Sacramento. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “ICAN”. The head office of the Company is located at Suite 810 - 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada.

2. Going Concern Assumption

These amended and restated consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. As at July 31, 2020, the Company has yet to generate a positive net income and had an accumulated deficit of \$30,784,079 (July 31, 2019 - \$22,187,335). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying amended and restated consolidated financial statements.

3. Statement of Compliance and Basis of Presentation

Statement of compliance

These amended and restated consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standard (“IFRS”), as set out in the CPA Canada Handbook – Accounting (“CPA Handbook”) as issued by the International Accounting Standards Board (“IASB”). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These amended and restated consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Furthermore, these amended and restated consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

Basis of measurement

These amended and restated consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value through profit and loss, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Amended and Restated Consolidated Financial Statements
For the Year Ended July 31, 2020
(Expressed in Canadian Dollars)

3. Statement of Compliance and Basis of Presentation (Continued)

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the amended and restated consolidated financial statements from the date that control commences until the date that control ceases. The following is a list of the Company's operating subsidiaries:

Name	Jurisdiction of incorporation	Interest
1127466 B.C. Ltd.	Canada	100%
X-Sprays Industries Inc.	US	100%
Ganja Gold Inc.	US	100%

All inter-company transactions and balances have been eliminated in the amended and restated consolidated financial statement presentation.

Functional currency

All figures presented in the amended and restated consolidated financial statements are reflected in Canadian dollars; however, the functional currency of the Company includes the Canadian dollar and the US dollar. The Company's subsidiaries' functional currency is the US dollar.

Foreign currency transactions are translated to the respective functional currencies of the Company's entities at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate applicable at the statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are translated to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are translated to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through profit and loss.

On consolidation, the assets and liabilities of foreign operations reported in their functional currencies are translated into Canadian dollars, the Company's presentation currency, at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in accumulated other comprehensive income (loss).

4. Significant Accounting Policies

The preparation of the amended and restated consolidated financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's amended and restated consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Amended and Restated Consolidated Financial Statements
For the Year Ended July 31, 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

The significant accounting policies used by the Company are as follows:

Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Financial assets measured at amortized cost are assessed for impairment at the end of each reporting period. Impairment provisions are estimated using the expected credit loss impairment model where any expected future credit losses are provided for, irrespective of whether a loss event has occurred at the reporting date.

Estimates of expected credit losses take into account the Company's collection history, deterioration of collection rates during the average credit period, as well as observable changes in and forecasts of future economic conditions that affect default risk. Where applicable, the carrying amount of a trade receivable is reduced for any expected credit losses through the use of an allowance for doubtful accounts ("AFDA") provision. Changes in the AFDA provision are recognized in the amended and restated consolidated statement of loss and comprehensive loss. When the Company determines that no recovery of the amount owing is possible, the amount is deemed irrecoverable and the financial asset is written off.

Inventory

Inventory is valued at the lower of cost and net realizable value. The Company's inventory is comprised of cannabis related products and derivatives. The cost of inventory is calculated using the weighted average method and comprises all costs of purchase necessary to bring the goods to sale. Net realizable value represents the estimated selling price for products sold in the ordinary course of business less the estimated costs necessary to make the sale. Management uses the most reliable evidence available in determining the net realizable value of inventories. Actual selling prices may differ from estimates, based on market conditions at the time of sale. Allowances are made against obsolete or damaged inventory and charged to cost of sales. The reversal of any write-down of inventory arising from increase in the net realizable value is recognized as a reduction of cost of sales in the period in which the reversal occurred.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Amended and Restated Consolidated Financial Statements
For the Year Ended July 31, 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

Financial instruments

The following table shows the classifications under IFRS 9:

	IFRS 9 Classification
Financial assets	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Promissory note receivable	Amortized cost
Loans receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Loans payable	Amortized cost
Derivative liability	FVTPL
Consideration payable	FVTPL
Notes payable	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the amended and restated consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the amended and restated consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Financial assets through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Amended and Restated Consolidated Financial Statements
For the Year Ended July 31, 2020
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

Financial instruments

Equity instruments designated as FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings. The Company does not currently hold any equity instruments designated as FVTOCI.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the amended and restated consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the amended and restated consolidated statements of loss and comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the amended and restated consolidated statements of loss and comprehensive loss.

Property and equipment

The Company records property and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Leasehold improvements – over lease term

Equipment – 5 years

Right-of-use assets – straight-line over term of lease

Building – 20 years

4. Significant Accounting Policies (Continued)

Property and equipment (continued)

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of property and equipment and deferred costs consist of major components with different useful lives, the components are accounted for as separate items of property and equipment and deferred expenditures. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

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.

The goodwill balance 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 value 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 the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the amended and restated consolidated statements of loss and comprehensive loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

Intangible assets

The Company's intangible assets consist of brands, licenses, customer relationships and other identifiable intangible assets. Intangible assets acquired are measured on initial recognition at cost, while the cost of intangible assets acquired in a business combination is initially recorded at their fair values as at the date of acquisition. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Brands – 7 years
Customer relationships – 2 years
Intellectual property – 7 years
Licenses – 5.5 years

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

4. Significant Accounting Policies (Continued)

Impairment of long-lived assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). 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 had no impairment loss been previously recognized, with the exception of goodwill and indefinite lived intangible assets.

IFRS 16 - Leases

The Company adopted IFRS 16 – Leases on August 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company does not have any leases prior to January 1, 2019, and as a result, this standard had no impact on the Company's restated and amended consolidated financial statements on the day of adoption.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in "finance and other costs" in the restated and amended consolidated statements of loss and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

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4. Significant Accounting Policies (Continued)

IFRS 16 - Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the amended and restated consolidated statement of loss and comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration or sales and marketing expense, as appropriate given how the underlying leased asset is used, in the restated and amended consolidated statement of comprehensive loss.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Derivatives

Derivatives are initially measured at fair value and are subsequently measured at FVTPL. If the transaction price does not equal to fair value at the point of initial recognition, management measures the fair value of each component of the investment and any unrealized gains or losses at inception are either recognized in profit or loss or deferred and recognized over the term of the investment, depending on whether the valuation inputs are based on observable market data. The resulting unrealized gain or loss at inception and subsequent changes in fair value are recognized in profit or loss for the period.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

Foreign currency

These restated and amended consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

i) Transactions and Balances in Foreign Currencies

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4. Significant Accounting Policies (Continued)

Foreign currency (continued)

ii) Foreign operations

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

Share-based Compensation

As part of its remuneration, the Company grants stock options and warrants to buy common shares of the Company to its employees. 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 of employee services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted or vested if the option vests over a period. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

All share-based remuneration is ultimately recognized as an expense in the amended and restated consolidated statements of loss and comprehensive loss with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transactions costs and the amount originally credited to contributed surplus are allocated to share capital. When options expire unexercised the related value remains in contributed surplus.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the amended and restated consolidated statement of loss and comprehensive loss.

4. Significant Accounting Policies (Continued)

Business combination (continued)

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in the amended and restated consolidated statement of loss and comprehensive loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on the fair value of the goods and services received. Asset acquisitions do not give rise to goodwill. Any consideration paid in excess of the identifiable assets and liabilities assumed is expensed to the statement of loss.

Loss per share

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS 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 the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The following are the critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in amended and restated consolidated financial statements:

4. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Business combinations and asset acquisitions

Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisition was an asset acquisition, an allocation of the purchase price to the individual identifiable assets acquired, including identifiable and unidentifiable intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the amended and restated consolidated statements of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Functional Currency Translations

The functional currency of the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of an entity if there is a significant change in the events and/or conditions which determine the primary economic environment. In the event of a change of functional currency, the Company reevaluates the classification of financial instruments. Upon the change in the parent Company's functional currency during the year, the financing warrants, which were initially classified as a derivative liability on the amended and restated consolidated statements of financial position, were reassessed and reclassified as equity instruments at the fair value on the date of the functional currency change.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

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4. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Management evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

Provisions

Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the amended and restated consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

Leases

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company used an incremental borrowing rate of 15%.

Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

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4. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Fair values

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available, the Company will engage third party qualified valuers to perform the valuation.

Going concern

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the Company's amended and restated consolidated financial results.

Valuation of inventory

In calculating the net realizable value (NRV) of inventory, management determines the selling prices based on current observable market sales prices, selling costs, and includes an estimate of spoiled or expired inventory based on the most reliable evidence available at the time, to record inventory at the lower of cost or net realizable value.

Allowance for doubtful accounts

The Company makes estimates for allowances that represent its estimate of potential losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may have been incurred but not yet specifically identified. The Company's allowance is determined by historical experiences, and considers factors including the aging of the balances, the customer's creditworthiness, current economic conditions, expectation of bankruptcies and the economic volatility in the markets/locations of customers. COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for doubtful accounts

Recent Accounting Pronouncements

As at the date of authorization of these amended and restated consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its amended and restated consolidated financial statements:

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4. Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (continued)

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

5. Accounts Receivable

On February 6, 2020, Ganja Gold entered into an accounts receivable settlement agreement whereas an arm's length party agreed to issue common shares to the Company to settle \$334,051 (US \$252,000) of outstanding accounts receivable. The Company received 920,564 common shares with a fair value of \$349,814 to settle the outstanding account receivable. The Company recognized a gain on settlement of accounts receivable of \$15,763. During the year, all of the shares were sold for gross proceeds of \$354,790 which resulted in a gain of \$4,976 on sale of marketable securities.

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6. Property and Equipment

	Equipment ⁽¹⁾	Right-of-Use Asset	TOTAL
COSTS			
Balance, July 31, 2019	\$ -	\$ -	\$ -
Additions (note 14)	940,522	1,526,019	2,466,541
Lease termination (note 14)	-	(369,712)	(369,712)
Foreign currency adjustments	-	72,589	72,589
Balance, July 31, 2020	940,522	1,228,896	2,169,418
ACCUMULATED DEPRECIATION			
Balance, July 31, 2019	-	-	-
Depreciation	42,261	97,680	139,941
Foreign currency adjustments	(1,298)	(424)	(1,722)
Balance, July 31, 2020	40,963	97,256	138,219
NET BOOK VALUE			
Balance, July 31, 2019	-	-	-
Balance, July 31, 2020	\$ 899,559	\$ 1,131,640	\$ 2,031,199

(1) As at July 31, 2020, the amortization of the Company's equipment with Granja Gold has been included in Cost of Sales on the amended and restated consolidated statements of loss and comprehensive loss.

7. Inventory

As at July 31, 2020, Inventory consists of the following:

	July 31, 2020	July 31, 2019
	\$	\$
Finished goods	515,107	337,037
Raw material	179,748	117,078
Total	694,855	454,115

8. Promissory Notes Receivable

As at July 31, 2020 and 2019, the promissory note receivable consists of the following:

	July 31, 2020	July 31, 2019
	\$	\$
Promissory note receivable	\$ 1,408,427	\$ 1,447,268

Subsequent to the year ended July 31, 2020, the Company entered into a Definitive Sale and Assignment Agreement (the "Agreement"), whereby the Company sold its interest in a Sacramento, California cultivation facility for USD \$2,000,000. Pursuant to the terms of the Agreement, the Promissory Note Receivable was included in the disposition of the Company's interest (Note 25).

This promissory note receivable is non-interest bearing, non-secured and due on demand.

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9. Acquisition Deposit

On May 21, 2019, the Company entered into a share exchange agreement (the “Definitive Agreement”) among the Company, 1200665 B.C. Ltd., a private British Columbia company (“1200665BC”), whereby the Company will acquire all of the issued and outstanding shares of 1200665BC. 1200665BC, have pending Share Purchase Agreements (“SPA”) with V6E and Sullivan Park, whom are beneficial owners of cannabis cultivation and manufacturing licenses in the state of Nevada. The Company is seeking regulatory approval for the transfer of ownership from the State of Nevada. Upon receipt of regulatory approval, the transaction with 1200665BC will close.

As consideration, the Company issued 30,645,161 common shares with a fair value of \$11,645,161 and settled the remaining purchase price of \$12,500,000 through the issuance of 40,322,580 common shares.

The acquisition deposit represents funds and equity advanced to these Entities. Upon regulatory approval, the Company assess whether the acquired business meet the definition under IFRS 3 – *Business Combinations* and the acquisition deposit will be the purchase price. The acquisition deposit will be eliminated upon regulatory approval.

	\$
Balance, July 31, 2018	-
Addition on execution of the Definitive Agreement	24,145,161
Funds advanced	1,425,210
Balance, July 31, 2019	25,570,371
Funds advanced	533,230
Balance, July 31, 2020	26,103,601

As at July 31, 2020, under IAS 36 – *Impairment*, the Company did not identify impairment indicators.

10. Intangible Assets

	Licenses \$	Customer Relationships \$	Brands \$	Intellectual property \$	Total \$
Balance, July 31, 2019	14,877,000	79,000	4,057,000	1,353,000	20,366,000
Foreign exchange	289,626	1,424	79,474	26,272	396,796
Amortization	(2,757,569)	(40,212)	(590,925)	(197,039)	(3,585,745)
Impairment	(3,619,057)	(212)	(518,549)	(173,233)	(4,311,051)
Balance, July 31, 2020	8,790,000	40,000	3,027,000	1,009,000	12,866,000

11. Goodwill

Management has identified three CGUs which represents the lowest level within the Company at which goodwill is monitored for internal management purposes, Icanic Brands Corp, X-Sprays and Ganja Gold.

	Ganja Gold \$	Total \$
Balance, July 31, 2019	8,904,938	8,904,938
Foreign exchange	174,488	174,488
Balance, July 31, 2020	9,079,426	9,076,426

For the purposes of testing impairment, the recoverable amount of each CGU comprising goodwill was based on the fair values less cost of disposal, estimated using discounted cash flows. As at July 31, 2020, the recoverable amount of each CGU exceeded the carrying value and no impairment was recorded.

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12. Accounts Payable

As at July 31, 2020, accounts payable consists of the following:

	July 31, 2020	July 31, 2019
	\$	\$
Accounts payable	1,467,192	578,999
Accrued liabilities	50,000	-
Total	1,517,192	578,999

13. Notes Payable and Derivative Liability

On March 1, 2020, the Company entered into a secured note payable for gross proceeds of \$US \$200,000 ("Secured Loan"). The Secured Loan bears interest of 6%, matures on December 31, 2020 and the principal and interest is convertible into common stock of the Company at a market rate less an allowable discount ("Conversion Price").

The following table reconciles the recorded value of the liability and derivative components of the secured note payable.

	Secured Loan	Derivative liability	Total
	\$	\$	\$
Balance, July 31, 2019	-	-	-
Additions	122,356	144,764	267,120
Accretion	20,226	-	20,226
Interest	6,731	-	6,731
Foreign exchange	323	588	911
Revaluation of derivative liability	-	(15,607)	(15,607)
Balance, July 31, 2020	149,636	129,745	279,381

For the Secured Loan, the variability of the Conversion Price would result in a variable number of shares on conversion. For the Secured Loan, the conversion does not meet the fixed for fixed requirement because a variable number of shares could be issued. On initial recognition, the derivative liability of \$144,764 was recognized, with the residual value of \$122,356 allocated to debt. The Company estimated the fair value of equity as \$Nil. The Secured Loan are being accreted to the face value of the debt plus interest to maturity.

Subsequent to the year ended July 31, 2020, the term of the loan was extended to mature on June 30, 2022 (Note 25).

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14. Lease Liability

The Company has a lease contract for its facility used in the Company's operations. Lease of facility is 11 years. The Company utilized a discount rate of 15%.

Set below are the carry amounts of the lease liability recognized and the movements during the period:

	Santa Rosa Lease	Concord Lease	Total
As at August 1, 2019	403,322	-	403,322
Additions	-	1,122,697	1,122,697
Payments	(42,560)	(31,906)	(74,466)
Termination	(369,712)	-	(369,712)
Foreign exchange	7,887	71,274	79,161
Accretion	1,063	2,516	3,579
Current lease liability	-	172,084	172,084
Non-current lease liability	-	992,497	992,497
Total	-	1,164,581	1,164,581

During the year ended July 31, 2020, the Santa Rosa lease was terminated.

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at July 31, 2020, denominated in USD:

	USD \$
July 31, 2021	151,905
July 31, 2022	159,500
July 31, 2023	167,475
July 31, 2024	175,849
July 31, 2025	184,641
Thereafter	1,174,451
Total	2,013,821

15. Financial Risk Management

Classification of financial instruments

As at July 31, 2020	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	2,037,614	-	-
Accounts receivable	-	1,039,681	-
Promissory note receivable	-	1,408,427	-
Accounts payable and accrued liabilities	-	-	1,517,192
Derivative liability	129,745	-	-
Lease liability	-	-	1,164,581
Notes payable	-	-	149,636

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15. Financial Risk Management (continued)

As at July 31, 2019	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	4,482,955	-	-
Accounts receivable	-	582,420	-
Promissory note receivable	-	1,447,268	-
Loans receivable	-	63,798	-
Accounts payable and accrued liabilities	-	-	578,999
Loans payable	-	-	83,748
Notes payable	-	-	12,500,000

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration.

Financial Risk Management Objectives and Policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management, with the Board of Directors oversight, manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors.

Financial Risks

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the amended and restated consolidated statements of financial position. Credit risk associated with accounts receivable (note 5), the promissory note receivable and loans receivable arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship. The Company is currently exposed to moderate credit risk associated with its trade receivable. Subsequent to the year ended July 31, 2020, the Company sold the promissory note receivable and other interests in a California facility for USD \$2,000,000 (Note 25).

Market and Other Risks

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly. As at July 31, 2020, the market and other risks are low.

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day outlook periods. As at July 31, 2020, the Company has a working capital (deficit) of \$4,077,797 (July 31, 2019 – (\$5,928,634)) and will require additional financing to meet its short term obligations.

Currency risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of the Company's business transactions and balances denominated in currencies other than the United States dollar.

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16. Capital Management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There have been no changes to the Company's approach to capital management during the period.

17. Related Party Transactions and Disclosures

As of July 31, 2020, included in accounts payable and other accrued liabilities, is an amount due to related parties of \$2,814 (July 31, 2019 - \$578). This amount consists of amounts due to a former director of the Company. These amounts were made to provide working capital and are non-interest bearing and without fixed terms of repayment.

Relation to Icanic	Type of service	July 31, 2020	July 31, 2019
Former CEO and Director	Management fees	\$ -	\$ 98,995
CFO and Director has a minority interest in a firm providing accounting services.	Legal and professional fees	45,000	-
CFO and Director has a minority interest in a firm providing management services.	Management Fees	-	3,750
CFO and Director has a minority interest in a firm providing corporate consulting services	Consulting fees	51,050	-
CFO and Director controls a firm providing corporate consulting services.	Consulting fees	17,100	-
CFO and Director controls a firm providing management services.	Management Fees	-	48,200
CEO	Share-based compensation	16,429	-
		\$ 129,579	\$ 150,945

18. Share Capital

(i) Authorized capital

The Company's authorized share capital consists of:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares issuable in series. No preferred shares are issued as of July 31, 2020.

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18. Share Capital (Continued)

(ii) Common shares

For the year ended July 31, 2020:

- a) On August 14, 2019, the Company issued 150,000 common shares, valued at \$76,500 to a consultant of the Company for services rendered.
- b) On August 16, 2019, the Company issued 1,250,000 common shares, valued at \$625,000 to a consultant of the Company for services rendered.
- c) During the year ended July 31, 2020, the Company issued 693,594 common shares upon exercise of warrants at \$0.375 per share for total proceeds of \$260,100.
- d) On November 12, 2019, the Company issued 150,000 common shares with a fair value of \$75,000 to a consultant of the Company for services rendered.
- e) On February 5, 2020, the Company fulfilled its obligation by issuing 40,000,000 common shares valued at \$17,600,000 pursuant to the California Definitive Agreement with Ganja Gold. (Note 20).
- f) On February 6, 2020, the Company entered into an amending agreement (the "Amending Agreement") with 1200665 B.C. Ltd. and settled \$12,500,000 of outstanding debt through the issuance of 40,322,580 common shares. The shares were issued with a fair value of \$8,870,968 resulting in a \$3,629,032 gain on settlement of debt.

On November 5, 2019, the Company announced that it, together with certain shareholders of the Company entered into a voluntary pooling agreement (the "Agreement"). The Agreement restricts the sale of approximately 26,000,000 shares of the Company, representing approximately 12% of the issued and outstanding shares of the Company. There are approximately 91,000,000 restricted shares outstanding at July 31, 2020.

g) On July 22, 2020, the Company announced a first tranche closing of its non-brokered private placement announced on June 11, 2020 (the "Offering"). Pursuant to the first tranche, the company issued 4,290,000 units at a price of \$0.25 per unit for gross proceeds of \$1,072,500. Each Unit is comprised of one common share in the capital of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant shall be exercisable to acquire one additional Share at a price of \$0.31 for a period of two years from the date of issuance. In the event that the Shares trade at a closing price of greater than \$0.50 per Share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the Warrants to expire on the 30th day after the date on which such notice is given. The fair value of the warrants was \$64,350, using the residual method. The Company paid share issuance cost of \$41,350.

For the year ended July 31, 2019:

- a) During the month of September 2018, the Company issued 276,773 common shares upon exercise of finder's warrants at \$0.40 per share for total proceeds of \$110,710.
- b) During the month of November 2018, the Company issued 393,749 common shares upon exercise of warrants at \$0.30 per share for total proceeds of \$118,125.

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18. Share Capital (Continued)

(iii) Share options

The Company has a share option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The share options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of ten years. The plan allows for the issuance of up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

On July 31, 2019, the Company granted 4,100,000 share options to consultants at an exercise price of \$0.33 per share expiring July 31, 2024. 1,650,000 options vest in 6 months and 2,450,000 options vest over 4 years. The fair value of these 4,100,000 stock options was determined to be \$1,796,211 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 1.47%, expected life of 5 years, expected volatility of 250%, forfeiture rate of 0% and a dividend rate of 0%. During the year ended July 31, 2020, the Company recognized share-based compensation of \$1,253,788.

The issued and outstanding options balance as at July 31, 2020 and July 31, 2019 is comprised as follows:

	Number of Options	Weighted Average Price
Balance July 31, 2018	3,600,000	\$ 0.40
Options granted	9,600,000	\$ 0.33
Balance July 31, 2019 and July 31, 2020	13,200,000	\$ 0.35

As at July 31, 2020, 11,312,500 options are exercisable with a weighted average price of \$0.35 and average life of 3.75 years.

As of July 31, 2020, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price \$	Number of options #	Number of exercisable options #
June 8, 2023	0.40	3,600,000	3,600,000
June 28, 2024	0.32	1,500,000	1,500,000
July 4, 2024	0.33	4,000,000	4,000,000
July 31, 2024	0.33	4,100,000	2,212,500
		13,200,000	11,312,500

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18. Share Capital (Continued)

(iv) Warrants

The issued and outstanding warrants balance as at July 31, 2020 and July 31, 2019 are comprised as follows:

	Exercise Price	Average Life	Expiry Date	Number of Warrants
Balance July 31, 2018	\$0.31	0.36		2,409,230
Private placements warrants	\$0.375	0.28	May 7, 2021	5,702,000
Finders' warrants	\$0.375	0.28	May 7, 2021	117,250
Private placements warrants	\$0.375	0.21	May 13, 2021	4,300,000
Finders' warrants	\$0.375	0.21	May 13, 2021	343,560
Private placements warrants	\$0.375	0.05	May 14, 2021	1,250,006
Finders' warrants exercised	\$0.40	-	September 26, 2018	(276,773)
Warrants exercised	\$0.30	-	June 13, 2019	(949,996)
Warrants expired	\$0.30	-	June 13, 2019	(1,182,461)
Balance July 31, 2019	\$0.375	0.56		11,712,816
Private placements warrants	\$0.310	0.55	July 22, 2022	4,290,000
Warrants exercised	\$0.375	-		(693,594)
Balance July 31, 2020	\$0.357	1.11		15,309,222

As of July 31, 2020, the Company had warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price	Number of warrants, issued and exercisable
	\$	#
Between May 7 and May 14, 2021	0.375	11,019,222
July 22, 2022	0.31	4,290,000
		15,309,222

(v) Reserves

Reserves includes accumulated foreign currency translation adjustments and the accumulated fair value of share-based compensation and warrants transferred from share-based payment reserve and warrant reserve upon cancellation or expiry of the share options and warrants.

19. Letter of Intent

In October 2018, the Company signed a Letter of Intent (the "LOI") to acquire all of the issued and outstanding securities of Critical Mass Industries, LLC ("CMI"), a Colorado-based cannabis leader operating successfully for nearly 10-years under the brands Good Meds and BOSM Labs. Integrated Cannabis has paid a non-refundable deposit of US\$250,000 upon signing the LOI. The Company paid a total of US\$450,000 during the year ended July 31, 2019. At closing, will pay an additional US\$2,400,000 and issue 2,300,000 Integrated Cannabis common shares to the shareholders of CMI in exchange for the securities being acquired. During the year ended July 31, 2019, the Company terminated the LOI to acquire all of the issued and outstanding securities of CMI and wrote-off the advances of \$597,310 to a carrying value of \$Nil.

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20. Acquisition of Ganja Gold Inc.

On July 31, 2019, the Company entered into a share exchange agreement (the “California Definitive Agreement”) among the Company, Ganja Gold Inc., a California company (“Ganja Gold”) and the shareholders of Ganja Gold, pursuant to which, the Company acquired all of the issued and outstanding shares of Ganja Gold (“California Transaction”). Ganja Gold is a State and municipally licensed cannabis manufacturing business.

In consideration for the California Transaction and pursuant to the terms of the California Definitive Agreement, the Company: (a) issued an aggregate of 40,000,000 common shares of the Company (the “Payment Shares”) pro rata to shareholders of Ganja Gold on the closing of the California Transaction (the “California Closing Date”) (Issued); (b) issued an additional 40,000,000 common shares valued at \$17,600,000 upon Ganja Gold completing certain milestones (issued). The Payment Shares are subject to a voluntary hold period of 12 months from the California Closing Date which expires July 31, 2020.

In connection with the California Transaction, the Company issued 3,200,000 common shares to an arm’s length third party finder. The finder shares were subject to a statutory hold period which expired on December 1, 2019. The fair value of these shares was measured at \$1,408,000 and the amount was recognized as transaction cost on business combination expense during the year ended July 31, 2019.

The purchase price allocation of Ganja Gold’s assets acquired and liabilities assumed is summarized below:

Purchase price:	Amount
Paid in shares	\$ 28,072,000
Total purchase price	\$ 28,072,000
Assets acquired:	
Cash	\$ 449,100
Accounts receivable	537,419
Inventory	454,115
Deposit	131,480
Promissory note	1,447,268
Loans receivable	63,798
Intangibles	20,366,000
Liabilities assumed:	
Accounts payable and other liabilities	377,164
Deferred income tax liability	3,839,214
Loans payable	65,740
Net assets acquired	\$ 19,167,062
Goodwill recognized from acquisition	\$ 8,904,938

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21. Income Taxes

The income taxes shown in the amended and restated consolidated statements of loss and comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	July 31, 2020	July 31, 2019
Loss for the period, before income taxes	\$ (8,399,229)	\$ (5,852,285)
Enacted tax rates	27.0%	27.0%
Expected income tax recovery	(2,267,792)	(1,580,117)
Items not deductible for income tax purposes	(596,264)	747,607
Foreign exchange and tax rate differences	68,614	-
Business combination	197,516	-
Impairment	1,163,984	-
Current and prior tax attributes not recognized	1,631,457	832,510
Income tax expense	197,515	-

The Company's income tax expense is allocated as follows:

	July 31, 2020	July 31, 2019
Current income tax expense	-	-
Deferred income tax expense	197,515	-
Income tax expense	197,515	-

The following table summarizes the components of deferred taxes:

	July 31, 2020	July 31, 2019
Deferred Tax Assets		
Right-of use liability	\$ 347,511	\$ -
Deferred tax liabilities		
Intangible assets	(3,839,214)	(3,839,214)
Inventory write-off	(207,345)	-
Right-of use asset	(337,682)	-
Net deferred tax liability	(4,036,730)	(3,839,214)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	\$
Balance, July 31, 2018	-
Recognized in goodwill	3,839,214
Balance, July 31, 2019	3,839,214
Recognized in statement of loss	197,515
Balance, July 31, 2020	4,036,729

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21. Income Taxes (continued)

Details of deferred tax assets are as follows:

	July 31, 2020	July 31, 2019
Non-capital loss carry forwards	\$ 1,959,256	\$ 1,222,238
Resource properties	2,080,015	2,080,015
Share issue costs	44,817	47,847
Unrecognized deferred tax assets	(4,084,088)	(3,350,100)
	-	-

As at July 31, 2020, the Company had approximately \$7,469,000 of non-capital losses available, which begin to expire in 2032 through to 2040 and may be applied against future taxable income.

22. Segmented Information

The assets and operations of the Company are located in Canada and the United States. The Company has one reportable business segments in the cannabis sector.

	Canada	USA	TOTAL
	\$	\$	\$
Year ended July 31, 2020			
Revenues	-	7,971,497	7,971,497
Total income (expenses)	249,439	(10,696,821)	(10,447,382)
Net income (loss)	249,436	(8,846,180)	(8,596,744)
As at July 31, 2020			
Current assets	1,055,678	5,277,892	6,333,570
Total assets	27,159,279	29,254,517	56,413,796
Total liabilities	299,074	6,985,925	7,284,999
As at July 31, 2019			
Current assets	3,704,132	3,529,981	7,234,113
Total assets	26,570,313	35,505,110	62,075,422
Total liabilities	221,632	16,780,329	17,001,961

23. Other investments

On August 30, 2019, the Company announced it entered into a term sheet (the "Term Sheet") to acquire Nevada based CannaAmerican Brands LLC ("CA Brands").

The term sheet contemplates the Company acquiring all of the issued and outstanding shares of CA Brands for \$4,000,000 to be satisfied through the issuance of common shares of the Company at a deemed price of \$0.45 per share.

The Term Sheet sets out certain terms and conditions pursuant to which the proposed transaction will be completed. The proposed transaction remains subject to certain closing conditions including, without limitation, (a) the receipt by the Company of all necessary corporate and regulatory approval; (b) customary due diligence; (c) definitive agreements; (d) each party's representations and warranties in the share purchase agreement being true and correct in all aspects, and each party meeting its terms and conditions and completing its covenants and obligations as contained therein; and (e) all of the requisite municipal and State approvals. There can be no guarantees that the proposed transaction will be completed as contemplated at all. The Company may pay a finder's fee in relation to the proposed transaction in accordance with CSE policies.

The Company has not yet entered into a definitive agreement with CA Brands as at July 31, 2020.

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24. Correction of Errors

For the year ended July 31, 2020, management has determined that these amended and restated consolidated financial statements needed to be restated to correct for the fair value of the Company's investment in Ganja Gold and update the purchase price allocations for the Company's acquisition of Ganja Gold and 1200665 BC Ltd.

Adjustments were made as at July 31, 2019 to correct the following material values assigned to:

- Expense transaction costs of \$1,408,000;
- Decrease the purchase price on the acquisition of Ganja Gold by \$7,128,000;
- From the acquisition of Ganja Gold, the Company recognized a deferred tax liability of \$3,839,214 and recognized the following intangible assets on the purchase price allocation of Ganja Gold and re-allocated them from good will to separately identifiable intangible assets:
 - o Licenses - \$14,877,000
 - o Customer relationships - \$79,000
 - o Brands - \$4,057,000
 - o Intellectual property - \$1,353,000

The Company has reviewed the acquisition of 1200665 BC Ltd. ("Target Acquisition") and has determined that the Target Acquisition has not closed as of the issuance date of these amended and restated consolidated financial statements and has de-consolidated the Target Acquisition:

	Amount \$
Net assets	
Cash	(198,722)
Government tax recoverable	(1,876)
Loans receivable	(4,241,505)
Investments	(2)
Property	(2,704,190)
Acquisition deposit	25,570,371
Brands and licenses	(18,333,221)
Accounts payable	40,567
Accumulated deficit	(131,422)
	-

Adjustments were made as at July 31, 2020 to correct the following material values assigned to:

- Record foreign exchange on intangible assets and goodwill of \$396,796 and \$174,488, respectively;
- Adjusted depreciation on equipment by \$258,159;
- Reinstated a loan payable of \$261,358;
- Recorded a deferred income tax expense of \$197,515; and,
- Record the impairment of intangible assets of \$7,896,796.

The Company has reviewed the acquisition of 1200665 BC Ltd. ("Target Acquisition") and has determined that the Target Acquisition has not closed as of the issuance date of these amended and restated consolidated financial statements and has de-consolidated the Target Acquisition:

	Amount \$
Net assets	
Cash	198,541
Loans receivable	(458,230)
Acquisition deposit	533,230
Retained earnings	(14,845)
	-

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Financial Position at July 31, 2020:

	Previously reported	July 31, 2019 restatement \$	Current year adjustments \$	Restated \$
Assets				
Cash	2,037,795	(198,722)	198,541	2,037,614
Accounts receivable	1,039,681	-	-	1,039,681
Taxes receivable	76,062	(1,876)	-	74,186
Prepaid expenses	1,078,807	-	-	1,078,807
Promissory note receivable	1,408,427	-	-	1,408,427
Loans receivable	4,699,735	(4,241,505)	(458,230)	-
Inventory	694,855	-	-	694,855
Total current assets	11,035,362	(4,442,103)	(259,689)	6,333,570
Investments	2	(2)	-	-
Property and equipment	4,477,230	(2,704,190)	258,159	2,031,199
Intangible assets	-	20,366,000	(7,500,000)	12,866,000
Acquisition deposit	-	25,570,371	533,230	26,103,601
Goodwill	52,300,945	(43,396,007)	174,488	9,079,426
Total assets	67,813,539	(4,605,931)	(6,793,812)	56,413,796
Shareholders' equity and total liabilities				
Amounts payable and other liabilities	1,557,759	(40,567)	-	1,517,192
Lease liability	172,084	-	-	172,084
Loan payable	25,758	261,358	-	287,116
Derivative liability	129,745	-	-	129,745
Note payable	149,636	-	-	149,636
	2,034,982	220,791	-	2,255,773
Deferred income taxes	-	3,839,214	197,515	4,036,729
Lease liability	992,497	-	-	992,497
Total liabilities	3,027,479	4,060,005	197,515	7,284,999
Shareholders' equity				
Common share capital	80,965,645	(7,128,000)	-	73,837,645
Shares to be issued	9,800	-	-	9,800
Share subscription receivable	(195,663)	-	-	(195,663)
Accumulated other comprehensive income	-	-	506,710	506,710
Reserve	5,692,472	-	61,912	5,754,384
Accumulated deficit	(21,686,194)	(1,261,733)	(7,836,152)	(30,784,079)
Total shareholders' equity	64,786,060	(8,389,733)	(7,267,530)	49,128,797
Total liabilities and shareholders' equity	67,813,539	(4,329,728)	(7,070,015)	56,413,796

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Financial Position at July 31, 2019:

	Previously reported	July 31, 2019 restatement \$	Restated \$
Assets			
Current assets			
Cash	4,681,677	(198,722)	4,482,955
Accounts receivable	582,420	-	582,420
Taxes receivable	48,954	(1,876)	47,078
Prepaid expenses	156,479	-	156,479
Promissory note receivable	1,447,268	-	1,447,268
Loans receivable	4,305,303	(4,241,505)	63,798
Inventory	454,115	-	454,115
Total current assets	11,676,216	(4,442,103)	7,234,113
Investments	2	(2)	-
Property and equipment	2,704,188	(2,704,188)	-
Intangible assets	-	20,366,000	20,366,000
Acquisition deposit	-	25,570,371	25,570,371
Good will	52,300,945	(43,396,007)	8,904,938
Total assets	66,681,351	(4,605,929)	62,075,422
Total liabilities and shareholders' equity			
Accounts payable	619,564	(40,565)	578,999
Loans payable	83,748	-	83,748
Deferred tax liability	-	3,839,214	3,839,214
Note payable	12,500,000	-	12,500,000
Total liabilities	13,203,312	3,798,649	17,001,961
Shareholders' equity			
Common share capital	52,491,279	(7,128,000)	45,363,279
Shares to be issued	17,600,000	-	17,600,000
Share subscription receivable	(95,286)	-	(95,286)
Accumulated other comprehensive income	-	(43,443)	(43,443)
Reserve	4,392,803	43,443	4,436,246
Deficit	(20,910,757)	(1,276,578)	(22,187,335)
Total shareholders' equity	53,478,039	(8,404,578)	45,073,461
Total liabilities and shareholders' equity	66,681,351	(4,605,929)	62,075,422

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Loss and Comprehensive Loss at July 31, 2020:

	July 31, 2020 Previously Reported \$	July 31, 2020 Adjustments \$	July 31, 2020 Restated \$
Sales	7,971,497	-	7,971,497
Cost of sales	(6,120,856)	258,159	(5,862,697)
Gross margin	1,850,641	258,159	2,108,800
Operating Expenses			
Advertising and promotion	993,099	-	993,099
Accretion	23,848	-	23,848
Bank charges	51,333	-	51,333
Depreciation	97,680	3,585,745	3,683,425
Filing and listing fees	44,875	-	44,875
Bad debt expense	53,849	-	53,849
Interest	6,731	-	6,731
Payroll expense	1,316,147	-	1,316,147
Legal and professional fees	384,330	(14,845)	369,485
Management and consulting fees	1,135,304	-	1,135,304
Office and general expenses	1,117,404	-	1,117,404
Share-based compensation	1,253,788	-	1,253,788
Transfer agent fees	21,942	-	21,942
Total operating expenses	(6,500,330)	(3,570,900)	(10,071,230)
Net loss before other items	(4,649,689)	(3,312,741)	(7,962,430)
Loss on foreign exchange	(8,009)	-	(8,009)
Gain on sale of marketable securities	4,976	-	4,976
Gain on settlement of accounts receivable	15,763	-	15,763
Gain on settlement of debt	3,844,221	-	3,844,221
Revaluation of derivative liability	15,607	-	15,607
Interest revenue	1,694	-	1,694
Impairment of intangible assets	-	(4,311,051)	(4,311,051)
Net loss for the year, before income taxes	(775,437)	(7,623,792)	(8,399,229)
Deferred income tax expense	-	(197,515)	(197,515)
Net Loss for the year	(775,437)	(7,821,307)	(8,596,744)
Foreign currency translation	(18,469)	568,622	550,153
Comprehensive loss for the year	(793,906)	(7,252,685)	(8,046,591)
Basic and diluted net loss per share	(0.00)	(0.04)	(0.04)
Weighted average number of common shares outstanding	188,820,716	-	188,820,716

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Loss and Comprehensive Loss at July 31, 2019:

	July 31, 2019 Previously Reported \$	July 31, 2019 Adjustments \$	July 31, 2019 Restated \$
Sales	108,346	-	108,346
Cost of sales (note 6)	(99,763)	-	(99,763)
Gross margin	8,583	-	8,583
Operating Expenses			
Advertising and promotion	295,514	-	295,514
Bank charges	2,299	(42)	2,257
Filing and listing fees	32,627	-	32,627
Legal and professional fees	229,442	(132,350)	97,092
Management and consulting fees	1,169,636	-	1,169,636
Office and general expenses	488,341	-	488,341
Share-based compensation	1,766,041	-	1,766,041
Transfer agent fees	14,581	-	14,581
Total operating expenses	(3,998,481)	(132,392)	(3,866,089)
Net loss before other items	(3,989,898)	(132,392)	(3,857,506)
Impairment of advances to Critical Mass Industries	(597,310)	-	(597,310)
Interest revenue	6,651	(970)	5,681
Write-off accounts payable	4,850	-	4,850
Impairment of intangible assets	-	(1,408,000)	(1,408,000)
Net Loss for the year	(4,575,707)	(1,276,578)	(5,852,285)
Foreign currency translation	(43,443)	-	(43,443)
Comprehensive loss for the year	(4,619,150)	(1,276,578)	(5,895,728)
Basic and diluted net loss per share	(0.10)	(0.02)	(0.12)
Weighted average number of common shares outstanding	47,434,643	-	47,434,643

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Cash Flows at July 31, 2020:

	July 31, 2020 Previously Reported \$	July 31, 2020 Adjustments \$	July 31, 2020 Restated \$
Operating Activities			
Net loss for the year, before income taxes	(775,437)	(7,623,792)	(8,399,229)
Accretion expense	23,805	-	23,805
Interest expense	6,731	-	6,731
Revaluation of derivative liability	(15,607)	-	(15,607)
Depreciation	398,100	3,327,586	3,725,686
Foreign exchange	44,600	-	44,600
Gain on settlement of accounts receivable	(15,763)	-	(15,763)
Realized gain on sale of marketable security	(4,976)	-	(4,976)
Gain on settlement of debt	(3,720,034)	-	(3,720,034)
Consulting services	776,500	-	776,500
Share-based compensation	1,253,788	-	1,253,788
Impairment of intangible assets	-	4,311,051	4,311,051
Net changes in non-cash working capital			
Accounts receivable	(791,312)	-	(791,312)
Government HST recoverable	(27,108)	-	(27,108)
Prepaid expenses and deposits	(922,328)	-	(922,328)
Inventory	(240,740)	-	(240,740)
Accounts payable and accrued liabilities	1,029,195	-	1,029,195
Net cash used in operating activities	(2,980,586)	14,845	(2,965,741)
Investing activities			
Purchase of property and equipment	(940,522)	-	(940,522)
Rent repayments	(74,466)	-	(74,466)
Proceeds from sale of marketable securities	354,790	-	354,790
Loans receivable	(394,432)	458,230	63,798
Loans as acquisition deposit	-	(533,230)	(533,230)
Net cash used in investing activities	(1,054,630)	(75,000)	(1,129,630)
Financing activities			
Proceeds from issuance of shares, net of share issuance cost	881,150	-	881,150
Obligation to issue shares	9,800	-	9,800
Share subscription receivable	49,623	-	49,623
Secured loan payable	267,120	-	267,120
Exercise of warrants	260,100	-	260,100
Loans payable	-	258,696	258,696
Repayment of loans payable	(57,990)	-	(57,990)
Net cash provided by financing activities	1,409,803	258,696	1,668,499
Net change in cash	(2,625,413)	198,541	(2,426,872)
Effect of foreign exchange on cash	(18,469)	-	(18,469)
Cash, beginning of year	4,681,677	(198,722)	4,482,955
Cash, end of year	2,037,795	(181)	2,037,614

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Cash Flows at July 31, 2019:

	July 31, 2019 Previously Reported \$	July 31, 2019 adjustments \$	July 31, 2019 Restated \$
Operating Activities			
Net loss for the year, before income taxes	(4,575,707)	(1,276,578)	(5,852,285)
Impairment of advances to Critical Mass Industries	597,310	-	597,310
Consulting services	201,192	-	201,192
Share-based compensation	1,766,041	-	1,766,041
Write-off of accounts payable	(4,850)	-	(4,850)
Transaction costs on business combination	-	1,408,000	1,408,000
Net changes in non-cash working capital			
Accounts receivable	(43,700)	(1,301)	(45,001)
Government HST recoverable	(22,662)	1,876	(20,786)
Prepaid expenses and deposits	284,936	-	284,936
Accounts payable and accrued liabilities	191,110	(12,925)	178,185
Net cash used in operating activities	(1,606,330)	119,072	(1,487,258)
Investing activities			
Advances to Critical Mass Industries, LLC	(597,310)	-	(597,310)
Cash received from acquisition of subsidiaries	917,769	(468,669)	449,100
Loans receivable	(1,501,132)	1,501,132	-
Loans as acquisition deposit	-	(1,425,210)	(1,425,210)
Net cash used in investing activities	(1,180,673)	(392,747)	(1,573,420)
Financing activities			
Proceeds from issuance of shares, net of share issuance cost	5,471,799	-	5,471,799
Loans payable	(74,953)	74,953	-
Exercise of warrants	395,708	-	395,708
Net cash provided by financing activities	5,792,554	74,953	5,867,507
Net change in cash	3,005,551	(198,722)	2,806,829
Effect of foreign exchange on cash	(43,443)	-	(43,443)
Cash, beginning of year	1,719,569	-	1,719,569
Cash, end of year	4,681,677	(198,722)	4,482,955

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Shareholders' Equity at July 31, 2020:

Common Share Capital								
	Number of shares	Amount	Shares to be issued	Share subscriptions receivable	Reserve for foreign currency translation	Reserve for share-based payments	Deficit	Total
Balance at July 31, 2019, previously reported	134,209,393	\$ 52,491,279	\$ 17,600,000	\$ (95,286)	\$ (43,443)	\$ 4,436,246	\$ (20,910,757)	\$ 53,478,039
Shares for services	1,550,000	776,500	-	-	-	-	-	776,500
Exercise of warrants	693,594	260,100	-	-	-	-	-	260,100
Share exchange agreement (Note 19)	40,000,000	17,600,000	(17,600,000)	-	-	-	-	-
Shares for debt (Note 18)	40,322,580	8,870,966	-	-	-	-	-	8,870,966
Private placements (Note 16)	4,290,000	1,008,150	-	(150,000)	-	64,350	-	922,500
Share issuance costs	-	(41,350)	-	-	-	-	-	(41,350)
Subscription received	-	-	9,800	49,623	-	-	-	59,423
Share-based compensation	-	-	-	-	-	1,253,788	-	1,253,788
Foreign currency translation	-	-	-	-	(18,469)	-	-	(18,469)
Loss for the year	-	-	-	-	-	-	(775,437)	(775,437)
Balance at July 31, 2020, previously reported	221,065,567	\$ 80,965,645	\$ 9,800	\$ (195,663)	\$ (61,912)	\$ 5,754,384	\$ (21,686,194)	\$ 64,786,060
Adjustments to shares issued to acquire Ganja Gold for 2019	-	(7,128,000)	-	-	-	-	-	(7,128,000)
Adjustments to net loss for the year of 2019	-	-	-	-	-	-	(1,276,578)	(1,276,578)
Adjustments to foreign currency translation for 2020	-	-	-	-	568,622	-	-	568,622
Adjustments to net loss for the year of 2020	-	-	-	-	-	-	(7,821,307)	(7,821,307)
Balance at July 31, 2020 Restated	221,065,567	\$ 73,837,645	\$ 9,800	\$ (195,663)	\$ 506,710	\$ 5,754,384	\$ (30,784,079)	\$ 49,128,797

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24. Correction of Errors (continued)

Amended and Restated Consolidated Statements of Shareholders' Equity at July 31, 2019:

Common Share Capital								
	Number of shares	Amount	Shares to be issued	Share subscriptions receivable	Reserve for foreign currency translation	Reserve for share-based payments	Deficit	Total
Balance at July 31, 2018	36,023,786	\$ 15,170,422	\$ -	\$ -	\$ -	\$ 3,173,916	\$ (16,335,050)	\$ 2,009,288
Shares issued to acquire Ganja Gold (note 19)	43,200,000	19,008,000	17,600,000	-	-	-	-	36,608,000
Shares issued to acquire 1200665BC (note 18)	30,645,161	11,645,161	-	-	-	-	-	11,645,161
Private placements	22,504,000	5,701,000	-	(95,286)	-	-	-	5,605,714
Exercise of warrants	1,226,769	987,020	-	-	-	(591,312)	-	395,708
Share issuance costs	-	(221,516)	-	-	-	87,601	-	(133,915)
Shares for services	609,677	201,192	-	-	-	-	-	201,192
Share-based compensation	-	-	-	-	-	1,766,041	-	1,766,041
Foreign currency translation	-	-	-	-	(43,443)	-	-	(43,443)
Loss for the year	-	-	-	-	-	-	(4,575,707)	(4,575,707)
Balance at July 31, 2019, previously reported	134,209,393	\$ 52,491,279	\$ 17,600,000	\$ (95,286)	\$ (43,443)	\$ 4,436,246	\$ (20,910,757)	\$ 53,478,039
Adjustments to shares issued to acquire Ganja Gold	-	(7,128,000)	-	-	-	-	-	(7,128,000)
Adjustments to net loss for the year	-	-	-	-	-	-	(1,276,578)	(1,276,578)
Balance at July 31, 2019 Restated	134,209,393	\$ 45,363,279	\$ 17,600,000	\$ (95,286)	\$ (43,443)	\$ 4,436,246	\$ (22,187,335)	\$ 45,073,461

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25. Subsequent events

- a) On August 13, 2020, the Company issued 3,710,000 units (each a "Unit") at a price of \$0.25 per Unit for aggregate gross proceeds of \$927,500. Each Unit is comprised of one common share in the capital of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant shall be exercisable to acquire one additional Share at a price of \$0.31 for a period of two years from the date of issuance. In the event that the Shares trade at a closing price of greater than \$0.50 per Share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the Warrants to expire on the 30th day after the date on which such notice is given. The Company paid share issuance cost of \$20,000.
- b) During the year ended July 31, 2021, the Company issued 4,700,101 common shares upon exercise of warrants for total proceeds of \$1,728,738.
- c) During the year ended July 31, 2021, the Company issued 600,000 common shares upon exercise of options for total proceeds of \$205,000.
- d) During the year ended July 31, 2021, the Company issued 183,150 common shares to a consultant of the Company for services rendered.
- e) During the year ended July 31, 2021, the Company issued 224,050 common shares pursuant to acquisition of THC Engineering Inc.
- f) During the year ended July 31, 2021, the Company issued 7,753,079 common shares pursuant to acquisition of De Krown Enterprises LLC.
- g) On October 14, 2020, the Company granted 4,869,000 common shares of the Company at an exercise price of \$0.35 per share and expiring on October 14, 2025. 3,619,000 options vest in 30 months, 250,000 options vest in 24 months and 1,000,000 options vested immediately.
- h) On February 9, 2021, the Company granted 100,000 stock options to a consultant at an exercise price of \$0.70 per share expiring February 9, 2026 and vested immediately.
- i) On March 1, 2021, the Company granted 500,000 stock options to a director at an exercise price of \$0.55 per share expiring March 1, 2026 and vests over 30 months, commencing September 1, 2021.
- j) On June 30, 2021, the Company granted 199,998 stock options to a director and employees at an exercise price of \$0.35 per share expiring June 30, 2026 and vests over 30 months, commencing on December 1, 2021.
- k) During the year ended July 31, 2021, 3,500,000 share options exercisable at average price of \$0.34 per share have been expired or cancelled.
- l) During the year ended July 31, 2021, 6,839,121 warrants exercisable at average price of \$0.375 per share have been expired unexercised.

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26. Subsequent events (continued)

- m) On April 15, 2021, the Company entered into a Share Exchange Agreement (“SEA”) to acquire 100% of THC Engineering LLC, (“THC”). THC is an arm’s length US-based company that builds automated technology within the cannabis manufacturing industry. The Company acquired the intellectual property of certain machinery developed by THC. The SEA closed on May 7, 2021 (“Closing Date”). All share issuances are calculated using a 10 day VWAP (“VWAP”)

As consideration, the Company agreed to issue the following in common shares:

- US \$1,750,000 at a price per common share equal to a VWAP. (“Consideration Shares”);
- US \$2,750,000 common shares at a price per common share equal to a VWAP upon the satisfaction of certain milestones (“Technology Shares”); and,
- A 15% net royalty for products sold using THC’s intellectual property, three years from the Closing Date.

- n) On July 2, 2021, the Company acquired 100% of De Krown Enterprises LLC (“De Krown”), a California-based leading cannabis manufacturing partner and brand owner. The De Krown acquisition was completed on July 2, 2021 (“Closing Date”).

As consideration, the Company agreed to issue the following in common shares:

- Issued 7,753,079 common shares to extinguish certain debt;
- Pay \$479,527 of cash to extinguish certain debt and capital expenditures to De Krown’s shareholders;
- A profit sharing arrangement whereby 50% of De Krown’s profits over a 24 month period will be paid to De Krown’s original unit holders; and,
- Certain revenue payments payable for a 12 month consecutive period, starting one year from the Closing Date.

- o) Subsequent to the year ended July 31, 2020, the outstanding note payable term (Note 13) was extended to mature on June 30, 2022.

- p) On August 31, 2021, the Company entered into a Letter of Intent (“LOI”) to acquire 100% of LEEF Holdings Inc. (“LEEF”), a California based premier extraction Company.

Under the terms of the LOI, the Purchase Price (“Purchase Price”) is comprised of the following:

- Closing Purchase Price (“Closing Purchase price”); and,
- Earn-out Payments (“Earn-Out Payments”).

The Closing Purchase Price will be equal to the higher of i) US \$120,000,000 or ii) two times the trailing 1-months revenue of LEEF for the period ended September 30, 2021. The Closing Purchase Price will be calculated using a 30-day volume weighted average price of the Company on the Canadian Securities Exchange. The Closing Purchase Price is subject to certain escrow arrangements.

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25. Subsequent events (continued)

The Earn-Out Payments are as follows:

1. 15 months following Closing, an amount equal to (A) 10% of the TTM revenue calculated for the 12-month period immediately following Closing, multiplied by 2.0, minus (B) the Closing Purchase Price (the "First Earn-Out Payment");
 2. 27 months following Closing, an amount equal to (A) 10% of the TTM revenue calculated for the 12-month period immediately following the first anniversary of the Closing, multiplied by 2.0, minus (B) the Closing Purchase Price and minus (C) any amounts paid pursuant to the First Earn-Out Payment (the "Second Earn-Out Payment"); and
 3. 9 months following Closing, an amount equal to (A) 10% of the TTM revenue calculated for the 12-month period immediately following the second anniversary of the Closing, multiplied by 2.0, minus (B) the Closing Purchase Price and minus (C) any amounts paid pursuant to the First Earn-Out Payment and Second Earn-Out Payment (the "Third Earn-Out Payment").
- q) On September 28, 2021, the Company entered into a Definitive Sale and Assignment Agreement (the "Agreement"), whereby the Company sold its interest and rights in the Sacramento, California based Cultivation Facility. As consideration, the Company received US \$2,000,000 and the discounted purchase rights to supply its current California based infused pre-roll products (note 8).
- r) On October 1, 2021, the Company entered into a Binding Letter of Intent ("Binding LOI") to acquire 100% of Substance LLC ("Substance"), a premium California based cannabis brand.

Under the terms of the Binding LOI, the Purchase Price ("Substance Purchase Price"), is comprised of the following:

- 12 month earn-out based on revenues ("Earn Out"); and,
- Milestone Bonuses ("Milestone Bonuses").

The Earn Out will be 1.3 times the trailing 12-months revenue of Substance for the period ending 12 months post-closing of the acquisition, using a 30-day volume weighted average price of the Company on the Canadian Securities Exchange.