

ICANIC BRANDS COMPANY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED OCTOBER 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

AS AT		October 31, 2021 \$	July 31, 2021 \$
Current assets			
Cash and cash equivalents		2,107,363	1,807,990
Accounts receivable, net		1,412,898	1,451,507
Taxes recoverable		1,400	-
Prepaid expenses and deposits		147,145	367,315
Inventory	8	2,066,115	1,854,870
Promissory note receivable	6	-	1,309,446
Total current assets		5,734,921	6,791,128
Property and equipment, net	7	6,037,460	5,494,242
Goodwill	10	9,039,158	9,039,158
Acquisition deposit	9	26,203,360	26,203,360
Intangible assets, net	11	10,752,253	11,266,596
Total non-current assets		52,032,231	52,003,356
Total Assets		57,767,152	58,794,484
SHAREHOLDERS' EQUITY AND LIABILITIES			
Current liabilities			
Amounts payable and other liabilities	12	280,297	1,324,131
Lease liability	14	265,109	255,241
Loan payable		266,608	266,608
Payroll payable		160,013	130,024
Derivative liability	13	95,217	82,805
Consideration payable	15	2,399,963	2,399,963
Income tax payable	20	361,630	361,630
Note payable	13	283,040	270,425
		4,111,877	5,090,827
Lease liability, net of current portion	14	826,734	871,763
Deferred income taxes	20	3,320,440	3,320,440
Contingent consideration	15	2,228,162	2,228,162
Consideration payable, net of current portion	15	1,124,864	1,124,864
Total liabilities		7,500,200	12,636,056
Shareholders' Equity			
Common share capital	19	79,283,343	79,283,343
Accumulated other comprehensive income (loss)		(1,445,332)	(1,379,359)
Reserves	19	6,947,938	6,947,938
Accumulated deficit		(38,630,874)	(38,693,494)
Total shareholders' equity		46,155,075	46,158,428
Total liabilities and shareholders' equity		57,767,152	58,794,484

Nature and continuance of operations (Note 1) and subsequent events (Note 23)

Approved on behalf of the board of directors on April 11, 2022

“Suhās Patel, Director”

“Nishal Kumar, Director”

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

For the three months ended,	Note	October 31, 2021 \$	October 31, 2020 \$
Sales		2,624,988	2,656,027
Cost of sales		(1,475,186)	(1,442,034)
Gross margin		1,149,802	1,213,993
Operating Expenses			
Advertising and promotion		348,621	268,987
Depreciation	7, 10	729,894	27,270
Filing and listing fees		5,856	31,982
Interest		12,804	18,977
Legal and professional fees	18	212,275	131,949
Management and consulting fees	18	13,650	23,825
Office and general expenses		325,556	250,247
Payroll expense	18	454,660	339,366
Share-based compensation	18	-	375,524
Total operating expenses		(2,103,316)	(1,468,127)
Net loss before other items		(953,514)	(254,134)
Loss on foreign exchange translations		-	(320)
Revaluation of derivative liability	13	(10,041)	35,204
Interest revenue		40	94
Sale of membership interest		1,044,714	175,000
Other items		1,034,713	(209,978)
Net income (loss) for the period, before income taxes		81,199	(44,156)
Income tax expense	20	(18,579)	(249,568)
Net income (loss) for the period		62,620	(293,724)
Foreign currency translation		(65,973)	(44,561)
Loss and comprehensive loss for the period		(3,353)	(338,285)
Basic and diluted net loss per share		(0.00)	(0.00)
Weighted average number of common shares outstanding		238,235,947	220,476,170

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Condensed Interim Consolidated Statements of Shareholders' Equity
(Unaudited - 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	Accumulated deficit	Total shareholders' equity
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
Adjust shares issued to acquire Ganja	-	(7,128,000)	-	-	-	-	-	(7,128,000)
Adjust net loss for 2019	-	-	-	-	-	-	(1,276,578)	(1,276,578)
Adjust foreign currency translation 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
Private placements	3,710,000	779,100	-	-	-	148,400	-	927,500
Share issuance costs	-	(20,000)	-	-	-	-	-	(20,000)
Exercise of warrants	301,431	113,036	-	-	-	-	-	113,036
Shares to be issued	-	-	9,375	-	-	-	-	9,375
Share-based compensation	-	-	-	-	-	375,524	-	375,524
Foreign currency translation	-	-	-	-	(44,561)	-	-	(44,561)
Loss for the period	-	-	-	-	-	-	(1,996,315)	(1,996,315)
Balance at October 31, 2021	225,076,998	\$ 74,709,781	\$ 19,175	\$ (195,663)	\$ 462,149	\$ 5,902,784	\$ (32,780,394)	\$ 48,493,356
Balance at July 31, 2021	238,235,947	\$ 79,283,343	\$ -	\$ -	\$(1,379,359)	\$ 6,947,938	\$ (38,693,494)	\$ 46,158,428
Foreign currency translation	-	-	-	-	(65,973)	-	-	(65,973)
Net income for the period	-	-	-	-	-	-	62,620	62,620
Balance at October 31, 2021	238,235,947	\$ 79,283,343	\$ -	\$ -	\$(1,445,332)	\$ 6,947,938	\$ (38,630,874)	\$ 46,155,075

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Condensed Interim Consolidated Statement of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

For the three months ended,	October 31, 2022	October 31, 2021
	\$	\$
Operating activities		
Net income (loss) for the period	62,620	(293,724)
Accretion expense	9,615	5,255
Interest expense	3,000	-
Revaluation of derivative liability	12,412	(26,157)
Depreciation	729,894	27,270
Foreign exchange gain (loss)	-	18,412
Gain on settlement of accounts receivable	-	-
Realized gain on sale of investment interest	(1,044,714)	-
Share-based compensation	-	375,524
Net changes in non-cash working capital		
Accounts receivable	38,609	(14,396)
Taxes recoverable	(1,400)	119,984
Prepaid expenses and deposits	220,170	(386,113)
Inventory	(211,245)	84,073
Taxes payable	-	-
Accounts payable and accrued liabilities	(1,043,834)	(253,056)
Net cash used in operating activities	(1,224,873)	(342,928)
Investing activities		
Promissory note	1,309,446	-
Sale of membership interest	1,044,714	-
Equipment purchases	(703,293)	51,688
Rent repayments	(35,161)	(49,663)
Net cash used in investing activities	1,615,706	2,025
Financing activities		
Proceeds from issuance of shares, net of share issuance cost	-	907,500
Share subscription receivable	-	9,375
Loan payable	-	7,101
Exercise of warrants	-	113,037
Net cash provided by financing activities	-	1,037,013
Net change in cash	390,833	696,110
Effect of foreign exchange on cash	(91,460)	(44,561)
Cash, beginning of period	1,807,990	2,037,795
Cash, end of period	2,107,363	2,689,344
Interest paid	-	-
Taxes paid	-	-

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended October 31, 2021
(Unaudited - Expressed in Canadian Dollars)

1. Nature and Continuance 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 Northern California. 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.

These 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 October 31, 2021, the Company has yet to generate a positive net income and had an accumulated deficit of \$38,630,874 (July 31, 2021 - \$38,693,494). 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 consolidated financial statements.

2. Basis of Presentation

Statement of compliance

These 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.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended July 31, 2021.

Basis of measurement

These condensed interim 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.

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2. 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 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%
De Krown Inc.	US	100%

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

Functional currency

All figures presented in the 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).

3. Significant Accounting Policies

The preparation of the condensed interim 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 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.

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3. Significant Accounting Policies (Continued)

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 the consolidated financial statements:

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 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 revalues 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 consolidated statements of financial position, were reassessed and reclassified as equity instruments at the fair value on the date of the functional currency change.

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3. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

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.

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 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.

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
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3. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

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.

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 consolidated financial results.

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

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4. Asset Acquisition

Acquisition of THC Engineering, LLC.

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.

The Technology Shares are issuable upon the completion of the following milestones:

- US \$500,000 common shares at a price per common equal to a VWAP (“First Technology Target”)
- US \$1,750,000 common shares at a price per common share equal to a VWAP (“Second Technology Target”)
- US \$500,000 upon the completion of the First and Second Technology Target.

The Consideration Shares and Technology Shares are subject to certain escrow conditions (“Payment Dates”) as follows:

- 6% of Considerations are issuable upon the Closing Date (Issued)
- 25% of Consideration and Technology Shares are issuable on January 1, 2022 (In progress)**;
- 25% of Consideration and Technology Shares are issuable on April 1, 2022;
- 25% of Consideration and Technology Shares are issuable on July 1, 2022; and,
- 19% of Consideration and 25% Technology Shares are issuable on October 1, 2022.

In the event the First and Second Technology Target is met subsequent to Payment Dates, the Technology Shares will be issued in equal installments over the remaining Payment Dates.

** The Company is in the process of issuing these consideration and technology shares.

The purchase price allocation of THC’s assets acquired and liabilities in Canadian dollars assumed is summarized below:

Purchase price:	Amount	
Consideration shares	\$	78,418
Consideration payable		2,075,497
Contingent consideration		2,228,162
	\$	4,382,077
Identifiable intangible assets (intellectual property)	\$	1,261,700
Consideration paid in excess of net assets acquired		3,120,377
	\$	4,382,077

At the time of acquisition, the Company was conducting research and development on cannabis related machinery, which did not meet the definition of intangible assets. As such, the remaining unidentifiable assets in the amount of \$3,120,377 were expensed in the Consolidated Statements of Loss and Comprehensive Loss during the year ended July 31, 2021.

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Notes to the Condensed Interim Consolidated Financial Statements
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5. Business Combination

Acquisition of De Krown Enterprises LLC.

On June 30, 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 June 30, 2021 (“Closing Date”).

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

- Issued 7,177,061 common shares with a fair value of \$2,153,122 (Issued) to extinguish certain debt;
- Pay \$479,527 of cash to extinguish certain debt and capital expenditures to De Krown’s shareholders (paid);
- 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.
- Issued 576,018 common shares with a fair value of \$172,803 as signing bonuses to De Krown’s executives. The signing bonuses has been expensed as share based compensation on the Statement of Loss and Comprehensive Loss.

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

Purchase price:	Amount
Shares issued	\$ 2,153,122
Cash	461,077
Profit sharing arrangement (consideration payable – Note 15)	174,468
Revenue payments (consideration payable – Note 15)	1,274,862
Total purchase price	\$ 4,063,529
Assets acquired:	
Cash	\$ 26,388
Accounts receivable	335,983
Inventory	2,036
Property and equipment	2,321,224
Intangible assets	1,345,896
Liabilities assumed:	
Accounts payable and other liabilities	(51,732)
Deferred tax liability	(175,515)
Lease liability	(212,797)
Payroll liabilities	(125,765)
Net assets acquired	\$ 3,465,718
Goodwill recognized from acquisition	\$ 597,811

The Company determined that De Krown’s business objectives were synergistic with the Company’s business plans and objectives. Goodwill consists of an assembled workforce, cost synergies and future economic potential of De Krown. Intangible assets consist market related intangible assets, customer relationships and production licenses.

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5. Promissory Notes Receivable

As at October 31, 2021 and 2020, the promissory note receivable consists of the following:

	2021	2020
Promissory note receivable	\$ -	\$ 1,399,390

During the period ended October 31, 2021, 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.

6. Property and Equipment

	Building ⁽²⁾	Equipment ^(1&2)	Right-of-Use Asset ⁽²⁾	TOTAL
Cost				
Balance, July 31, 2020	\$ -	\$ 940,522	\$ 1,228,896	\$ 2,169,418
Additions	504,488	991,171	-	1,495,659
Lease termination	865,718	1,242,709	212,797	2,321,224
Foreign currency adjustments	(10,914)	(58,614)	(77,057)	(146,585)
Balance, July 31, 2021	1,359,292	3,115,788	1,364,636	5,839,716
Additions	467,237	82,601	-	549,838
Foreign currency adjustments	43,775	65,750	29,588	139,113
Balance, October 31, 2021	1,870,304	3,264,139	1,394,224	6,528,667
Accumulated depreciation				
Balance, July 31, 2020	-	40,963	97,256	138,219
Depreciation	6,130	87,974	113,153	207,257
Adjustment to depreciation	-	-	(2)	(2)
Balance, July 31, 2021	6,130	129,937	210,407	345,474
Depreciation	9,070	80,489	55,174	144,733
Adjustment to depreciation	-	-	-	-
Balance, October 31, 2021	15,200	210,426	265,581	491,207
net book value				
Balance, July 31, 2021	\$ 1,353,162	\$ 2,986,851	\$ 1,154,229	\$ 5,494,242
Balance, October 31, 2021	\$ 1,855,104	\$ 3,053,713	\$ 1,128,643	\$ 6,037,460

8. Inventory

As at October 31, 2021 and 2020, Inventory consists of the following:

	2021	2020
Finished goods – cannabis related products	1,165,714	\$ 498,428
Raw material	900,401	449,484
Total	2,066,115	\$ 947,911

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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.

	Amount \$
Balance, July 31, 2019 (Note 22)	25,570,371
Funds advanced	533,230
Balance, July 31, 2020 (Note 22)	26,103,601
Funds advanced	99,759
Balance, October 31, 2021	26,203,360

As at October 31, 2021, under IAS 36 – *Impairment*, the Company did not identify impairment indicators.

10. Goodwill

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

	Ganja Gold \$	De Krown \$	Total \$
Balance, July 31, 2020	9,079,426	-	9,076,426
Additions from business combination (Note 5)	-	597,811	597,811
Foreign exchange	(638,079)	-	(638,079)
Balance, July 31, 2021	8,441,347	597,811	9,039,158
Foreign exchange	-	-	-
Balance, October 31, 2021	8,441,347	597,811	9,039,158

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 October 31, 2021, the recoverable amount of each CGU exceeded the carrying value and no impairment was recorded.

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11. Intangible Assets

Intangible assets consist of the following:

	Licenses \$	Customer Relationships \$	Brands \$	Intellectual property \$	Total \$
Cost					
Balance, July 31, 2020	11,547,569	80,215	3,617,922	1,206,039	16,451,745
Additions via business combination (Note 5)	934,650	311,550	-	99,696	1,345,896
Additions via asset acquisition (Note 4)	-	-	-	1,261,700	1,261,700
Foreign exchange	(617,420)	(2,614)	(213,080)	(70,611)	(903,725)
Impairment	(628,452)	-	(146,934)	(48,991)	(824,377)
Balance, July 31, 2021	11,236,347	389,151	3,257,908	2,447,833	17,331,239
Additions	-	-	-	-	-
Foreign exchange	(465)	(3)	300	55,644	55,476
Balance, October 31, 2021	11,235,882	389,148	3,258,208	2,503,477	17,386,715
Accumulated amortization					
Balance, July 31, 2020	2,757,569	40,212	590,925	197,039	3,585,745
Additions	1,816,128	37,386	468,986	156,398	2,478,898
Balance, July 31, 2021	4,573,697	77,598	1,059,911	353,437	6,064,643
Additions	360,680	38,944	91,596	78,599	569,819
Balance, October 31, 2021	4,934,377	116,542	1,151,507	432,036	6,634,462
Net book value					
Balance, July 31, 2021	6,662,650	311,553	2,197,997	2,094,396	11,266,596
Balance, October 31, 2021	6,301,505	272,606	2,106,701	2,071,441	10,752,253

12. Accounts Payable and other accrued liabilities

As at October 31, 2021 and 2020, accounts payable and other accrued liabilities consists of the following:

	2021 \$	2020 \$
Accounts payable	280,297	1,641,832

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13. Note payable and derivative liability

On March 1, 2020, the Company entered into a 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 note payable.

	loan payable \$	Derivative liability \$	Total \$
Balance, July 31, 2020	149,636	129,745	279,381
Accretion	144,850	-	144,850
Interest	15,289	-	15,289
Amendment	(25,894)	25,894	-
Foreign exchange	(13,456)	(8,270)	(21,726)
Revaluation of derivative liability	-	(64,564)	(64,564)
Balance, July 31, 2021	270,425	82,805	353,230
Accretion	1,587	-	1,587
Interest	3,771	-	3,771
Foreign exchange	7,257	2,371	7,257
Revaluation of derivative liability	-	10,041	10,041
Balance, October 31, 2021	283,040	95,217	378,257

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.

14. Lease Liability

The Company has two lease contracts for its facilities in California. The Company used an incremental borrowing rate between 12% to 15%.

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14. Lease Liability (Continued)

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

	Facility Lease \$	Facility Lease \$	Total \$
As at July 31, 2020	1,164,581	-	1,164,581
Additions from business combination (Note 5)	-	212,797	212,797
Payments	(193,542)	(11,148)	(204,690)
Foreign exchange	(78,261)	191	(78,070)
Accretion	29,921	2,465	32,386
As at July 31, 2021	922,699	204,305	1,127,004
Payments	(49,563)	(26,859)	(76,422)
Foreign exchange	24,435	(1,311)	23,125
Accretion	11,416	6,720	18,136
As at October 31, 2021	908,987	182,856	1,091,843
Current lease liability	144,798	120,311	265,109
Non-current lease liability	764,189	62,544	826,734
Total	908,987	182,856	1,091,843

The undiscounted lease liabilities are as follows:

	\$
July 31, 2022	329,620
July 31, 2023	306,846
July 31, 2024	219,143
July 31, 2025	230,100
July 31, 2026	241,605
Thereafter	1,218,257
Total	2,545,571

15. Contingent Consideration and Consideration Payable

Contingent consideration and consideration payable consist of the following:

	Contingent consideration \$	Consideration payable \$
As at July 31, 2021	2,228,162	3,524,827
Additions	-	-
As at October 31, 2021	2,228,162	3,524,827
Current liability	-	2,399,963
Non-current liability	2,228,162	1,124,864
Total	2,228,162	3,524,827

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16. Financial Risk Management

Classification of financial instruments

As at October 31, 2021	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	2,107,363	-	-
Accounts receivable	-	1,412,898	-
Promissory note receivable	-	-	-
Accounts payable and accrued liabilities	-	-	1,324,131
Derivative liability	95,217	-	-
Lease liability	-	-	1,091,843
Secured notes payable	-	-	283,040

As at July 31, 2021	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	1,807,990	-	-
Accounts receivable	-	1,451,507	-
Promissory note receivable	-	1,309,446	-
Accounts payable and accrued liabilities	-	-	1,324,131
Derivative liability	82,805	-	-
Lease liability	-	-	1,127,004
Secured notes payable	-	-	270,425

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 statement of financial position. Credit risk associated with accounts receivable, 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.

16. Financial Risk Management (Continued)

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 October 31, 2021, 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 lookout periods. As at October 31, 2021, the Company has a working capital of \$1,623,044 (July 31, 2021 – \$1,700,301) and will not 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.

17. 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.

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18. Related Party Transactions and Disclosures

As of October 31, 2021, included in accounts payable and other accrued liabilities, is an amount due to related parties of \$6,741 (October 31, 2020 - \$5,340). 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.

Relationship	Type of service	October 31, 2021	October 31, 2020
CFO and Director has a minority interest in a firm providing accounting services.	Legal and professional fees	\$ 60,329	\$ -
CFO and Director has a minority interest in a firm providing corporate consulting services	Consulting fees	11,250	11,250
CFO and Director controls a firm providing corporate consulting services.	Consulting fees	13,650	15,750
CEO and Director	Salaries	70,000	-
CEO and Director	Share-based compensation	-	91,167
		\$ 155,229	\$ 118,167

19. 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 October 31, 2021.

(ii) Common shares

For the period ended October 31, 2021:

a) There was no share capital activity for the period ended October 31, 2021.

For the year period ended October 31, 2020:

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 fair value of the warrants was \$148,400, using the residual method. The Company paid share issuance cost of \$20,000.

b) During the period ended October 31, 2020, the Company issued 301,431 common shares upon exercise of warrants for total proceeds of \$133,037.

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19. 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 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. The total fair value of these stock options was determined to be \$45,188 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 0.87%, expected life of 5 years, expected volatility of 107%, forfeiture rate of 0% and a dividend rate of 0%. During the year ended July 31, 2021, the Company recognized share-based compensation of \$2,624 relating to these options.

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. The fair value of these 500,000 stock options was determined to be \$307,424 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 0.63%, expected life of 5 years, expected volatility of 247%, forfeiture rate of 0% and a dividend rate of 0%. During the year ended July 31, 2021, the Company recognized share-based compensation of \$114,061 relating to these options.

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. The fair value of these 100,000 stock options was determined to be \$47,920 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 0.39%, expected life of 5 years, expected volatility of 248%, forfeiture rate of 0% and a dividend rate of 0% relating to these options. During the year ended July 31, 2021, the Company recognized share-based compensation of \$47,920 relating to these options.

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. The fair value of these 4,869,000 stock options was determined to be \$1,378,173 using the Black Scholes Option Pricing Model using the assumptions at the time of grant of risk free interest rates of 0.35%, expected life of 5 years, expected volatility of 110%, forfeiture rate of 0% and a dividend rate of 0%. During the year ended July 31, 2021, the Company recognized share-based compensation of \$844,576 relating to these options.

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, 2021, the Company recognized share-based compensation of \$284,491 relating to these options.

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19. Share Capital (Continued)

(iii) Share options (Continued)

The issued and outstanding options balance as at October 31, 2021 and July 31, 2021 and 2020 is comprised as follows:

	Number of Options	Weighted Average Price
Balance July 31, 2020 and July 31, 2021	14,768,998	\$ 0.35
Options granted	-	-
Exercised	-	-
Cancelled	916,000	0.35
Balance October 31, 2021	13,852,998	\$ 0.35

As of October 31, 2021, 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	2,750,000	2,750,000
July 4, 2024	0.33	3,750,000	3,750,000
July 31, 2024	0.33	2,890,000	2,155,000
October 14, 2025	0.35	4,519,000	1,074,400
February 9, 2026	0.70	100,000	100,000
March 1, 2026	0.55	500,000	-
June 30, 2026	0.35	199,998	-
		13,852,998	9,829,400

(iv) Warrants

The issued and outstanding warrants balance as at October 31, 2021 and July 31, 2021 are comprised as follows:

	Exercise Price	Average Life	Expiry Date	Number of Warrants
Balance July 31, 2019	\$0.375	0.56		11,712,816
Private placements warrants	\$0.310	0.31	August 13, 2022	3,710,000
Warrants exercised	\$0.372	-		(4,700,101)
Warrants expired	\$0.375	-		(6,839,121)
Balance July 31, 2021	\$0.310	1.01		7,480,000
Warrants exercised	-	-		-
Warrants expired	-	-		-
Balance October 31, 2021	\$0.310	1.01		7,480,000

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19. Share Capital (Continued)

(iv) Warrants (Continued)

As of October 31, 2021, 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 #
July 22, 2022	0.31	3,770,000
August 13, 2022	0.31	3,710,000
		7,480,000

(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.

20. 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 \$
Three months ended October 31, 2021			
Revenues	-	2,624,988	2,624,988
Total expenses	(527,615)	(2,034,753)	(2,562,368)
Net income (loss)	(527,615)	590,235	62,620
As at October 31, 2021			
Current assets	760,212	4,974,709	5,734,921
Total assets	27,148,070	30,619,082	57,767,152
Total liabilities	6,012,873	5,599,204	11,612,077
As at July 31, 2021			
Current assets	1,349,489	5,441,639	6,791,128
Total assets	27,737,347	31,057,137	58,794,484
Total liabilities	6,073,135	6,562,922	12,636,057

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21. Subsequent Events

- a) On January 25, 2022, the Company entered into a Definitive Agreement (the “Agreement”) 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.

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 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 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”).
- b) On September 28, 2021, the Company entered into a Definitive Sale and Assignment Agreement (the “Agreement”), whereby the Company sold its contractual 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.
- c) 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.