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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in United States 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 unaudited 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 Consolidated Statements of Financial Position
(Unaudited - Expressed in United States Dollars)

		June 30, 2022	December 31, 2021
Assets		*(unaudited)*	
Current assets:			
Cash		$ 9,937,292	$ 7,513,371
Accounts receivable, net		4,544,116	1,841,421
Prepaid expenses and deposits		1,244,905	472,863
Acquisition deposit	*Note 7*	21,700,000	-
Deferred costs and other current assets		676,437	726,821
Inventory	*Note 6*	4,674,748	2,824,532
Total current assets		42,777,498	13,379,008
Non-Current Assets:			
Property and equipment, net	*Note 5*	21,458,813	16,693,849
Intangible assets, net	*Note 9*	8,900,000	-
Goodwill	*Note 8*	8,644,000	-
Other assets		2,635,579	311,017
Total non-current assets		41,638,392	17,004,866
Total Assets		**$ 84,415,890**	**$ 30,383,874**
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and other accrued liabilities	*Note 10*	$ 5,415,863	$ 2,086,750
Stock subscription payable		100,000	1,195,356
Related party payables	*Note 17*	58,437	456,075
Current portion of convertible debentures, net of discount	*Note 13*	-	12,666,268
Current portion of notes payable	*Note 12*	242,659	40,571
Current portion of consideration payable	*Note 15*	739,000	-
Lease liabilities, short term	*Note 14*	189,310	82,840
Current portion of finance liability, net of discount	*Note 14*	155,038	509,767
Tax payable		8,314,109	2,784,887
Deferred revenue		80,589	80,589
Total current liabilities		15,295,005	19,903,103
Non-Current Liabilities:			
Lease liabilities, net of current portion	*Note 14*	1,940,809	824,583
Finance liability, net of current and discount	*Note 14*	493,633	373,070
Notes payable, net of current	*Note 12*	53,888	53,888
Derivative liabilities, long term	*Note 11*	9,664,608	2,513,681
Contingent consideration	*Note 15*	3,983,962	-
Consideration payable, net of current	*Note 15*	2,900,538	-
Convertible debentures, net of current and discount	*Note 13*	14,133,122	-
Total non-current liabilities		33,170,560	3,765,222
Total Liabilities		**48,465,565**	**23,668,325**
Shareholders' Equity:			
Common share capital		59,228	55,410
Contributed surplus		84,072,807	36,243,885
Accumulated other comprehensive income (loss)		(1,083,167)	-
Accumulated deficit		(51,683,480)	(34,644,659)
Total equity attributable to shareholders' of Icanic Brands Company Inc.		31,365,388	1,654,636
Non-controlling interest		4,584,937	5,060,913
Total Shareholders' Equity		**35,950,325**	**6,715,549**
Total Liabilities and Shareholders' Equity		**$ 84,415,890**	**$ 30,383,874**

Approved on behalf of the board of directors on August 30, 2022

“Micah Anderson, Director”

“Emily Heitman, Director”

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

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Condensed Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in United States Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Net revenue	$ 8,121,247	$ 10,735,629	$ 15,490,633	$ 21,916,970
Cost of sales	5,437,146	8,664,280	9,768,439	17,410,836
Gross profit	2,684,101	2,071,349	5,722,194	4,506,134
Operating expenses:				
Advertising and promotion	535,058	71,589	584,484	150,798
Depreciation	475,441	494,607	826,241	960,971
Wages and salaries	2,698,064	825,737	3,651,359	1,668,715
Office and general expenses	830,486	186,713	1,250,191	461,644
Research and development expenses	477,895	124,113	533,326	129,056
Legal and professional fees	2,503,307	185,159	2,881,702	380,839
Insurance expenses	162,706	85,853	299,435	180,467
Excise and other taxes	49,253	47,978	71,845	103,556
Lease expenses	(28,018)	35,542	4,242	71,294
Travel and business development	149,604	63,310	207,852	112,934
Total operating expenses	7,853,796	2,120,601	10,310,677	4,220,274
Loss from operations	(5,169,695)	(49,252)	(4,588,483)	285,860
Other expense:				
Interest expenses	1,820,931	435,931	2,237,998	907,315
Change in contingent consideration	1,977,500	-	1,977,500	-
Change in fair value of derivative liability	6,539,940	-	6,539,940	-
Other expense (income)	66,604	(234,884)	66,604	(234,884)
Total other expense	10,404,975	201,047	10,822,042	672,431
Loss before provision for income taxes	(15,574,670)	(250,299)	(15,410,525)	(386,571)
Provision for income taxes	881,048	721,349	2,104,273	1,605,300
Net loss and comprehensive loss	(16,455,718)	(971,648)	(17,514,798)	(1,991,871)
Foreign currency translation	(1,083,167)	-	(1,083,167)	-
Net loss and comprehensive loss attributable to non-controlling interest	(334,079)	(82,262)	(475,976)	(133,275)
Net loss and comprehensive loss attributable to shareholders' of Icanic Brands Company Inc.	**$ (15,038,472)**	**$ (889,386)**	**$ (15,955,655)**	**$ (1,858,596)**
Basic and diluted loss per share attributable to shareholders' of Icanic Brands Company Inc.	**$ (0.01)**	**$ (0.02)**	**$ (0.02)**	**$ (0.03)**
Weighted average number of common shares outstanding - basic and diluted	**1,023,023,064**	**53,606,849**	**1,023,023,064**	**53,606,849**

ICANIC BRANDS COMPANY INC. (FORMERLY INTEGRATED CANNABIS COMPANY, INC.)
Condensed Consolidated Statements of Shareholders’ Equity
(Unaudited - Expressed in United States Dollars)

	Number	$ Amount	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total equity attributable to shareholders' of Icanic Brands Company Inc.	Non-controlling interest	Total shareholders' equity
Balance as of January 1, 2021	**53,511,581**	**$ 53,511**	**$ 32,434,333**	**$ (27,318,271)**	**$ -**	**$ 5,169,573**	**$ (37,381)**	**$ 5,132,192**
Net loss	-	-	-	(1,858,596)	-	(1,858,596)	(133,275)	(1,991,871)
Shares issued for cash	190,535	191	2,175,646	-	-	2,175,837	-	2,175,837
Shares issued for cash to non-controlling interest holders	-	-	-	-	-	-	4,883,077	4,883,077
Balance as of June 30, 2021	**53,702,116**	**$ 53,702**	**$ 34,609,979**	**$ (29,176,867)**	**$ -**	**$ 5,486,814**	**$ 4,712,421**	**$ 10,199,235**
Balance as of January 1, 2022	**55,410,115**	**$ 55,410**	**$ 36,243,885**	**$ (34,644,658)**	**$ -**	**$ 1,654,637**	**$ 5,060,913**	**$ 6,715,550**
Net loss	-	-	-	(17,038,822)		(17,038,822)	(475,976)	(17,514,798)
Assumed in business acquisition from LEEF Holdings, Inc.	238,235,950	-	37,370,644	-	-	37,370,644	-	37,370,644
Foreign currency translation	-	-	-	-	(1,083,167)	(1,083,167)	-	(1,083,167)
Shares issued for cash	2,727,272	2,727	3,597,273	-	-	3,600,000	-	3,600,000
Shares issued for acquisition of entity under common control	1,090,908	1,091	1,194,265	-	-	1,195,356	-	1,195,356
Stock option expense	-	-	1,034,921	-	-	1,034,921	-	1,034,921
Shares issued in previous acquisition	3,764,858	-	2,750,000	-	-	2,750,000	-	2,750,000
Re-organization of shares due to business acquisition	721,793,961	-	-	-	-	-	-	-
Other	-	-	1,881,819	-	-	1,881,819	-	1,881,819
Balance as of June 30, 2022	**1,023,023,064**	**$ 59,228**	**$ 84,072,807**	**$ (51,683,480)**	**$ (1,083,167)**	**$ 31,365,388**	**$ 4,584,937**	**$ 35,950,325**

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 Cash Flows
(Unaudited - Expressed in United States Dollars)

	Six Months Ended June 30, 2022 (unaudited)	Six Months Ended June 30, 2021 (unaudited)
Cash flow from operating activities:		
Net loss and comprehensive loss	$ (17,514,797)	$ (1,991,871)
Adjustments to reconcile net loss		
to net cash used in operating activities:		
Depreciation	826,241	960,971
Share based compensation	1,034,921	-
Paid in Kind Interest	728,952	294,282
Amortization of debt discounts	1,295,443	-
Change in fair value of derivative liability	1,977,500	-
Change in fair value of contingent consideration, consideration payable and derivative liabilities	6,539,940	-
Amortization of finance liability discounts	-	59,116
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,705,233)	(686,679)
Prepaid expenses and deposits	(772,042)	(254,204)
Deferred costs and other current assets	752,466	205,197
Inventory	(251,279)	4,163,999
Other assets	282,664	25,693
Accounts payable and other accrued liabilities	2,222,489	(314,819)
Related party payables	(397,638)	-
Tax payable	2,296,540	491,774
Deferred revenue	-	(25,041)
Net cash (used in) provided by operating activities	**(2,683,833)**	**2,928,418**
Cash flows from investing activities:		
Equipment purchase	(294,524)	(615,768)
Proceeds from sale of Acquisition Deposit	-	-
Cash acquired from acquisition	2,610,260	-
Net cash provided by (used in) investing activities	**2,315,736**	**(615,768)**
Cash flows from financing activities:		
Issuance of common shares	3,600,000	2,175,837
Issuance of shares to non-controlling holders	-	4,883,077
Repayment of notes	(490,093)	(216,761)
Repayments on finance liabilities	(1,073,108)	(213,295)
Repayments on lease liabilities	(43,433)	(335,997)
Net cash provided by financing activities	**1,993,366**	**6,292,861**
Net increase in cash	**1,625,269**	**8,605,511**
Effect of foreign exchange translation	798,652	-
Cash, beginning of period	7,513,371	1,119,851
Cash, end of period	**$ 9,937,292**	**$ 9,725,362**
Cash paid during the year for:		
Interest	$ 271,973	$ 316,119
Taxes	$ -	$ 449,570
Other non-cash investing and financing activities:		
Shares issued for acquisition of common control entity	$ 1,195,356	$ -

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

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 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 June 30, 2022, the Company has yet to generate a positive net income and had an accumulated deficit of $51,683,480. 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.

Reverse recapitalization

On April 20, 2022, the Company acquired all of the common stock of LEEF Holdings, Inc. ("LEEF") pursuant to a merger agreement dated January 21, 2022 among the Company, its wholly-owned subsidiary, Icanic Merger Sub, Inc. and LEEF. The Company issued an aggregate of 758,274,035 common shares, which were subject to a contractual hold period in accordance with the terms of the merger agreement, with an initial one-eighth of the shares received to be released on the one-year anniversary of closing and the remaining shares to be released in equal one-eighth installments every three months thereafter.

Pursuant to the terms of the merger agreement, former LEEF shareholders will also be entitled to receive the following contingent earn-out payments (the "Earn-Out Payments"):

1. On July 20, 2023, an amount equal to 10% of (A) the product equal to two times the trailing 12-months ("**TTM**") revenue calculated for the 12-month period immediately following closing minus (B) US$120 million (the "**First Earn-Out Payment**");

2. On July 20, 2024, an amount equal to 10% of (A) the product equal to two times the TTM revenue calculated for the 12-month period immediately following the date that is one year from the closing date minus (B) the US$120 million and minus (C) any amounts paid pursuant to the First Earn-Out Payment (the "**Second Earn-Out Payment**"); and

3. On July 20, 2025, an amount equal to 10% of (A) the product equal to two times the TTM revenue calculated for the 12-month period immediately following the date that is two years from the closing date minus (B) US$120 million, minus (C) any amounts paid pursuant to the First Earn-Out Payment, minus (D) any amounts paid pursuant to the Second Earn-Out Payment.

2. Basis of Presentation

Each of the Earn-Out Payments will be satisfied in full through the issuance of common shares of the Company based on the 30-day volume weighted average trading price of the shares on the Canadian Securities Exchange for the period ending on the business day prior to the issuance.

LEEF Holdings, Inc. was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification ("ASC") 805. This determination was primarily based on LEEF Holdings, Inc.'s stockholders prior to the Business Combination having a majority of the voting interests in the Company following the closing of the Business Combination, LEEF Holdings, Inc.'s operations comprising the ongoing operations of the Company, LEEF Holdings, Inc.'s designees comprising half of the board of directors of Company, and LEEF Holdings, Inc.'s senior management comprising the senior management of the Company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of LEEF Holdings, Inc. issuing stock for the net assets of Icanic Brands, Inc. accompanied by a recapitalization. The net assets of Icanic Brands, Inc. are stated at historical cost.

While Icanic Brands, Inc. was the legal acquirer in the Business Combination, because LEEF Holdings, Inc. was deemed the accounting acquirer, the historical financial statements of LEEF Holdings, Inc. became the historical financial statements of the Company upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of LEEF Holdings, Inc. prior to the Business Combination; (ii) the combined results of the Company and LEEF Holdings, Inc. following the closing of the Business Combination; (iii) the assets and liabilities of LEEF Holdings, Inc. at their historical cost; and (iv) the Company's equity structure before and after the Business Combination.

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.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on August 30, 2022.

2. Basis of Presentation (Continued)

Liquidity

Historically, the Company's primary source of liquidity has been its operations, capital contributions made by equity investors and debt issuances. The Company is currently meeting its current operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As of and for the six months ended June 30, 2022, the Company had an accumulated deficit of $51,683,480, a net loss attributable to the Company of $15,955,655 and net cash used in operating activities of $2,683,833The Company estimates that based on current business operations and working capital, it will continue to meet its obligations as they become due in the short term.

The Company is generating cash from revenues and deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. Additionally, on April 20, 2022, Icanic Brands Company, Inc. acquired 100% of the common stock of the Company. See "*Note 4 – Business Combinations*" for further information.

Basis of presentation and measurement

The interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended July 31, 2021. Unless otherwise stated, these policies have been consistently applied to all periods presented. These interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company.

These interim consolidated financial statements have been prepared, except for the cash flow information, on the accrual basis of accounting and on a historical cost basis except for certain financial liabilities measured at fair value. 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.

2. Basis of Presentation (Continued)

Change in fiscal year-end

The Company changed its fiscal year-end from a fiscal year ending on July 31 to December 31 year end, effective beginning with year-end December 31, 2022. The change in fiscal year-end of the Company is due to the acquisition of all common stock of LEEF Holdings, Inc. ("LEEF") pursuant to the terms of a merger agreement among the Company, its wholly-owned subsidiary, Icanic Merger Sub, Inc. and LEEF, dated January 21, 2022. See "*Note 4 – Business Combinations*" for further information on the business combination transaction.

The Company made the fiscal year change on a prospective basis and has not adjusted operating results for prior periods The change impacts the prior year comparability of the Company's fiscal quarters in 2021, the fiscal first quarter of 2022 and the fiscal second quarter of 2022, and will result in shifts in the quarterly periods, which will not have a material impact on quarterly and yearly financials results.

Functional currency

The functional currency of the Company (and its subsidiaries) is the United States dollar as this is the principal currency of the economic environment in which it operates. The United States dollar is also the Company's presentation currency. Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. While the ultimate severity of the outbreak and its impact on the economic environment is uncertain, the Company is monitoring this closely. In the event that the Company were to experience widespread transmission of the virus at one or more of the Company's facilities, the Company could suffer reputational harm or other potential liability. Further, the Company's business operations may be materially and adversely affected if a significant number of the Company's employees are impacted by the virus.

(Unaudited - Expressed in United States Dollars)

2. Basis of Presentation (Continued)

Basis of consolidation

These interim consolidated financial statements as of and for the three and six months ended June 30, 2022 and 2021 include the accounts of the Company, its wholly-owned subsidiaries. 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 condensed interim consolidated financial statements from the date that control commences until the date that control ceases. The following is a list of the Company's wholly-owned operating subsidiaries:

Name	Purpose	Jursidiction	Interest
1127466 B.C. Ltd.		Canada	100%
1200665 B.C. Ltd.		Canada	100%
Paleo Paw Corp.	CBD Wellness	US	100%
X-Sprays Industries Inc.	CBD Wellness	US	100%
Payne's Distribution, LLC.	Distribution	US	100%
Ganja Gold Inc.	Distribution	US	100%
De Krown Inc.	Distribution	US	100%
Seven Zero Seven, LLC.	Manufacturing	US	100%
Willits Retail, LLC.	Dispensary	US	100%
Aya Biosciences, Inc.	(1) Pharmaceutical	US	51.01%
Anderson Development SB, LLC.	(2) Cultivation	US	100%
LEEF Management, LLC.	Payroll	US	100%

(1) As of June 30, 2022 and December 31, 2021, the Company owned a 51.01% and 51.01%, respectively, interest in Aya Biosciences, Inc. See "Note 13 – Convertible Debentures" for further information.
(2) The Company acquired Anderson Development SB, LLC effective November 3, 2021. See "Note 17 – Related Party Transactions" for further information.

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

(Unaudited - Expressed in United States Dollars)

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.

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

Inventory

The accounting policy for inventory applied in these condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as of and for the year ended July 31, 2021, except for the below which is new during the six months ended June 30, 2022.

Cost of cannabis biomass is comprised of initial third-party acquisition costs, plus analytical testing costs. Costs of extracted cannabis oil inventory are comprised of initial acquisition cost of the biomass and all direct and indirect processing costs including labor related costs, consumables, materials, packaging supplies and analytical testing costs. Packaging and supplies are initially valued at cost and subsequently at the lower of cost and net realizable value.

Property and equipment

The accounting policy for property and equipment applied in these condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as of and for the year ended July 31, 2021, except for the below which is new during the six months ended June 30, 2022.

The depreciation rates applicable to each category of property and equipment are as follows:

Buildings	15 – 20 years
Office furniture and software	3 – 5 years
Machinery and equipment	10 years
Vehicles	8 years
Construction in progress	Not depreciated
Right-of-use assets	Shorter of lease term or economic life
Leasehold improvements	Over lease term
Vehicles	8 years

3. Significant Accounting Policies (Continued)

Sale and leaseback transactions

Sale and leaseback transactions are assessed to determine whether a sale has occurred under IFRS 15. If a sale is determined not to have occurred, the underlying "sold" assets are not derecognized and a finance liability is established in the amount of cash received. At such time that the lease expires, the assets are then derecognized along with the finance liability, with a gain recognized on disposal for the difference between the two amounts, if any. Refer to "*Note 14 - Lease Liabilities*" for further discussion.

In accordance with IFRS 16, the satisfaction of a performance obligation under IFRS 15 is applied to sale and leaseback transactions. As the seller-lessee, the Company measures the right-of-use asset arising from the transaction at the proportion of the previous carrying amount of the asset that relates to the right of use retained. The Company only recognizes the gain or loss that relates to the rights transferred to the buyer-lessor. Adjustments are made to measure the sale proceeds at fair value in which any below-market terms are accounted for as a prepayment of lease payments and any above-market terms are accounted for as an additional financing cost. Adjustments for any off-market terms are on the more readily determinable basis of the difference between the fair value of the consideration for the sale and the fair value of the asset, and the difference between the present value of the contractual payments for the lease and the present value of lease payments at market rates.

Derivatives

The accounting policy for derivatives applied in these condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as of and for the year ended July 31, 2021, except for the below which is new during the six months ended June 30, 2022.

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the Consolidated Statement of Financial Position as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the Consolidated Statements of Financial Position date. Critical estimates and assumptions used in the model are discussed in "*Note 11 – Derivative Liabilities*".

Convertible debentures

Convertible debentures are financial instruments that are accounted for separately dependent on the nature of their components. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual agreement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including: contractual future cash flows, discount rates, credit spreads and volatility.

Fees directly attributable to the transactions are apportioned to the financial liability, derivative liability and equity components in proportion to the allocation of proceeds.

3. Significant Accounting Policies (Continued)

Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current Tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3. Significant Accounting Policies (Continued)

Revenue recognition

The accounting policy for revenue recognition applied in these condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as of and for the year ended July 31, 2021, except for the below which is new during the six months ended June 30, 2022.

Bulk product and white label services revenue

The Company recognizes revenue from bulk product sales and white label services. Product sales are generally recognized when the Company satisfies the performance obligations and transfers control over the goods to the customer upon delivery and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled. Returns are performed when the product does not meet the requested type, concentration, etc. and ordered by the customer. Returns and exchanges are reported and recorded at the same time as revenue transactions.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant accounting judgments and estimates

The preparation of interim consolidated 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. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's consolidated financial statements. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

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:

3. Significant Accounting Policies (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, 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 revaluates 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.

Inventory

Inventory is carried at the lower of cost or net realizable value. The determination of net realizable value involves significant management judgement and estimates, including the estimation of future selling prices.

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.

The valuation of shares and other equity instruments issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

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.

3. Significant Accounting Policies (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
Income taxes and deferred income tax assets or liabilities. Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred taxes, giving consideration to timing and probability. Actual taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities. The recognition of deferred income tax assets is subject to judgment and estimation over whether these amounts can be realized.

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.

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 between 12% - 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.

3. Significant Accounting Policies (Continued)

Fair values

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debentures and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market. See "*Note 16 – Financial Instruments and Financial Risk Management*" for summaries of the Company's financial instruments as of June 30, 2022 and December 31, 2021.

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.

Recently Adopted Accounting Pronouncements

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. The company adopted this amendment as of January1, 2022, this amendment did not have a material impact on its condensed consolidated financial statements at the time of adoption.

IAS 16 - "*Property, Plant and Equipment*" ("IAS 16")

IAS 16 has been amended to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The company adopted this amendment as of January1, 2022, this amendment did not have a material impact on its condensed consolidated financial statements at the time of adoption.

3. Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

As at the date of authorization of these 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 consolidated financial statements:

Amendments to IAS 1, "*Presentation of Financial Statements*" ("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 8, "*Accounting Policies, Changes in Accounting Estimates and Errors*" ("IAS 8")
IAS 8 has been amended to introduce the definition of an accounting estimate and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

(Unaudited - Expressed in United States Dollars)

4. Business Combinations

Merger with LEEF

On April 20, 2022, the Company acquired 100% of the common stock of LEEF pursuant to a merger agreement dated January 21, 2022 among the Company, Icanic Brands Company Inc., its wholly-owned subsidiary, Icanic Merger Sub, Inc. and LEEF.

The purchase price allocation for the acquisition, as set forth in the table below, reflects various preliminary fair value estimates and analyses that are subject to change within the measurement period as valuations are finalized. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected. The Company expects to finalize the accounting for the acquisition by April 2023.

The preliminary allocation of purchase price of a business acquisition completed during the three and six months ended June 30, 2022 is as follows:

Total Consideration:	
Stock Issued:	$ 37,370,644
Contingent Consideration	3,712,000
Total Consideration	**$ 41,082,644**
Preliminary Accounting Estimate of Net Assets Acquired:	
Cash	$ 2,610,260
Accounts Receivable	997,462
Inventories	1,598,937
Other Current Assets	702,082
Acquisition Deposits	21,700,000
Property and Equipment	4,030,552
Investments	1,811,226
Other Assets	796,000
Tradename Intangible	8,900,000
Accounts Payable and Accrued Liabilities	(2,070)
Capital Lease Obligation	(838,942)
Taxes Payable	(3,232,682)
Notes Payable	(692,181)
Consideration Payable	(4,939,000)
Contingent Consideration	(950,000)
Derivative Liabilities	(53,000)
Total Identifiable Net Assets	32,438,644
Goodwill (1)	8,644,000
Total Preliminary Accounting Estimate of Net Assets Acquired	**$ 41,082,644**

(1) The goodwill arising from the acquisition represents expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition.

If the Business Combination had been completed on January 1, 2022, the Company estimates it would have recorded increases in revenues and net loss of approximately $2,000,000 and $73,400, respectively.

(Unaudited - Expressed in United States Dollars)

5. Property and Equipment

As at June 30, 2022 and December 31, 2021, the property and equipment consists of the following:

	Buildings	Office equipment and software	Machinery and equipment	Right-of-use asset (1)	Vehicles	Leasehold Improvements	Construction in progress	Total
Cost								
Balance as of January 1, 2021	$ 14,278,132	$ 88,299	$ 2,636,739	$ 1,096,950	$ 233,263	$ -	$ 94,050	$ 18,427,433
Additions	104,585	79,192	352,110	-	-	-	1,547,048	2,082,935
Disposals and transfers	(130,378)	-	-	-	-	-	-	(130,378)
Balance as of December 31, 2021	$ 14,252,339	$ 167,491	$ 2,988,849	$ 1,096,950	$ 233,263	$ -	$ 1,641,098	$ 20,379,990
Additions	-	31,962	47,764	-	49,000	41,164	103,311	273,201
Assumed in business acquisition from LEEF Holdings, Inc.	1,046,229	-	3,004,277	1,256,129	-	686,286	-	5,992,921
Balance as of June 30, 2022	**$ 15,298,568**	**$ 199,453**	**$ 6,040,890**	**$ 2,353,079**	**$ 282,263**	**$ 727,450**	**$ 1,744,409**	**$ 26,646,112**
Accumulated Depreciation								
Balance as of January 1, 2021	$ (1,563,248)	$ (34,645)	$ (381,365)	$ (255,955)	$ (41,397)	$ -	$ -	$ (2,276,610)
Depreciation	(957,249)	(32,091)	(281,338)	(109,695)	(29,158)	-	-	(1,409,531)
Balance as of December 31, 2021	$ (2,520,497)	$ (66,736)	$ (662,703)	$ (365,650)	$ (70,555)	$ -	$ -	$ (3,686,141)
Depreciation	(607,457)	(20,903)	(772,430)	(87,709)	(12,660)	-	-	(1,501,158)
Balance as of June 30, 2022	**$ (3,127,954)**	**$ (87,639)**	**$ (1,435,133)**	**$ (453,359)**	**$ (83,215)**	**$ -**	**$ -**	**$ (5,187,299)**
Net Book Value								
June 30, 2022	**$ 12,170,614**	**$ 111,814**	**$ 4,605,757**	**$ 1,899,720**	**$ 199,048**	**$ 727,450**	**$ 1,744,409**	**$ 21,458,813**
December 31, 2021	**$ 11,731,842**	**$ 100,755**	**$ 2,326,146**	**$ 731,300**	**$ 162,708**	**$ -**	**$ 1,641,098**	**$ 16,693,849**

(1) See "Note 14 - Lease Liabilities" for further information.

Depreciation expense of nil and nil, respectively, was included in as a component of cost of sales on the consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2022. Depreciation expense of nil and nil, respectively, was included in as a component of cost of sales on the consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021.

(Unaudited - Expressed in United States Dollars)

6. Inventory

As at June 30, 2022 and December 31, 2021, inventory consists of the following:

	2022	2021
Raw materials	$ 672,985	$ 227,454
Work-in-Process	647,335	108,317
Finished goods - cannabis related products	3,354,428	2,488,761
Total inventory	**$ 4,674,748**	**$ 2,824,532**

During the three and six months ended June 30, 2022, inventory and inventoriable costs expensed to cost of goods sold were $4,269,518 and $4,791,592, respectively. During the three and six months ended June 30, 2021, inventory and inventoriable costs expensed to cost of goods sold were $8,677,302 and $8,563,763, respectively.

7. 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.

As of June 30, 2022 and December 31, 2021, the acquisition deposit was $21,700,000 and nil, respectively.

8. Goodwill

As of June 30, 2022 and December 31, 2021, goodwill was $8,644,000 and nil, respectively. During the six months ended June 30, 2022, the Company recorded goodwill as a result of a business combination on April 20, 2022. See "*Note "4 – Business Combinations*" for further information.

(Unaudited - Expressed in United States Dollars)

9. Intangible Assets

As of June 30, 2022 and December 31, 2021, intangible assets was $8,900,000 and nil, respectively. During the six months ended June 30, 2022, the Company acquired license and trademark intangible assets as a result of a business combination on April 20, 2022. See "*Note "4 – Business Combinations*" for further information.

10. Accounts Payable and Other Accrued Liabilities

As at June 30, 2022 and December 31, 2021, accounts payable and other accrued liabilities consists of the following:

	2022	2021
Accounts payable	$ 2,419,726	$ 1,049,808
Accrued liabilities	2,996,137	1,036,942
Total accounts payable and other accrued liabilities	**$ 5,415,863**	**$ 2,086,750**

11. Derivative liabilities

During June 2019, the Company entered into a private placement financing by issuing approximately $14,671,000 senior secured convertible debentures (see *"Note 13 - Convertible Debentures"*) and 14,671 share purchase warrants that contain a non-fixed conversion ratio into the Company's shares and exercise price, respectively.

In accordance with IAS 32, "*Financial Instruments",* a contract to issue a variable number of equity shares fails to meet the definition of equity. Accordingly, such a contract or instrument would be accounted for as a derivative liability and measured at fair value with changes in fair value recognized in the Condensed Consolidated Statements of Operations and Comprehensive Loss at each period-end.

During the six months ended June 30, 2022, the Company acquired a note payable for gross proceeds of $200,000 ("Secured Loan") as a part of a business combination. The Secured Loan bears interest of 6% and the principal and interest is convertible into common stock of the Company at a market rate less an allowable discount ("Conversion Price"). The Secured Loan original maturity date of December 31, 2020 was extended June 30, 2022. See "*Note 4 – Business Combinations*" for further information.

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. The Secured Loan are being accreted to the face value of the debt plus interest to maturity.

The Company used Monte Carlo to estimate the fair value of the derivative liabilities for the senior secured convertible debentures. The Monte Carlo pricing model uses Level 3 inputs in its valuation model.

(Unaudited - Expressed in United States Dollars)

11. Derivative liabilities (Continued)

The following assumptions were used by management to determine the fair value of the derivative liabilities during the six months ended June 30, 2022:

	2022
Expected Stock Price Volatility	95.00%
Risk-Free Annual Interest Rate	2.92%
Expected Life (Years)	2.00
Share Price	$ 0.07

A reconciliation of the beginning and ending balance of derivative liabilities and change in fair value of the derivative liabilities for the six months ended June 30, 2022 is as follows:

	2022
Balance as of beginning of period	$ 2,513,681
Change in fair value	6,593,384
Conversion of accrued interest to paid-in-kind interest:	
Senior secured convertible debentures	557,543
Balance as of end of period	**9,664,608**
Less derivative liabilities, short term	-
Derivative liabilities, long term	**$ 9,664,608**

12. Notes Payable

As of June 30, 2022 and December 31, 2021 notes payable consisted of the following:

	2022	2021
Secured promissory notes dated November 2018 through October 2019 issued to finance equipment acquisitions which mature from December 2023 through October 2024, and bear interest of 7.64% to 11.44% with principal and interest payments due monthly.	$ 68,547	$ 84,459
Small Business Administration loan which bears interest at 1% with interest payments due monthly.	10,000	10,000
Secured promissory note dated March 1, 2020, which matures on June 30, 2022, and bears interest of 6% (1).	218,000	-
Total notes payable	296,547	94,459
Less current portion of notes payable	(242,659)	(40,571)
Total notes payable, net of current	**$ 53,888**	**$ 53,888**

(1) As of the date of these financial statements, both parties mutually agreed to convert the note payable due into Company shares at the market rate upon the date of repayment. The Company is currently in process of converting the promissory note due into common shares of the Company stock.

(Unaudited - Expressed in United States Dollars)

12. Notes Payable (Continued)

A reconciliation of the beginning and ending balances of notes payable for the six months ended June 30, 2022 is as follows:

	2022
Balance as of beginning of period	$ 94,459
Assumed in business acquisition from LEEF Holdings, Inc.	218,000
Cash repayments	(15,912)
Balance as of end of period	**$ 296,547**

13. Convertible Debentures

As of June 30, 2022 and December 31, 2021 convertible debentures consisted of the following:

	2022	2021
Senior secured convertible promissory debentures dated June 2019, which matures on June 6, 2022, and bears interest at a rate of 9.0% with interest paid-in-kind. For holders who selected the interest paid-in-kind option, the interest rate is 10.0%.	$ 14,539,703	$ 13,859,565
Total convertible debentures	14,539,703	13,859,565
Less unamortized discount	(406,581)	(1,193,297)
Total convertible debentures, net of discount	14,133,122	12,666,268
Less current portion of convertible debentures, net of discount	-	(12,666,268)
Total convertible debentures, net of current and discount	**$ 14,133,122**	**$ -**

A reconciliation of the beginning and ending balances of convertible debentures for the six months ended June 30, 2022 is as follows:

	2022
Balance as of beginning of period	$ 12,666,268
Paid-in-kind interest	171,411
Amortization of debt discount	1,295,443
Balance as of end of period	**$ 14,133,122**

Senior Debentures

On June 6, 2019, the Company entered into a convertible senior secured debenture (the “Senior Debentures”) in an aggregate principal amount not to exceed $35,000,000 with accredited investors and qualified institutional buyers wherein the Senior Debentures shall mature on June 6, 2022 and bear interest at a rate of 9.0%. The Senior Debentures are to be issued from time to time at the election of the Company pursuant to one or more subscription agreements.

13. Convertible Debentures (Continued)

The Senior Debentures contain two conversion features wherein the conversion rate is equal to $1,000 principal amount of debentures divided by the conversion price, which is the lesser of (i) the price that is a 25% discount to the liquidity event price and (ii) the price determined based on a pre-money enterprise value of the Company of $150,000,000. The initial conversion rate shall be determined immediately upon the consummation of a liquidity event and shall be subject to adjustment.

In the event that a liquidity event, as defined in the Senior Debentures agreement, is consummated, holders have the right, at the holder's option, to convert all or any portion of their Senior Debentures into the Company's common shares (the "Optional Conversion"). Additionally, at the Company's election, the Company has the right to convert all outstanding debentures into common shares if all of the following conditions are satisfied, with no further action by the holders (the "Mandatory Conversion"):

(i) A liquidity event has been consummated;
(ii) The liquidity event price is at least 100% greater than the conversion price;
(iii) The common shares are listed on a recognized Canadian stock exchange or a national U.S. stock exchange; and
(iv) The daily VWAP of the common share is 20% greater than the liquidity event price for at least 10 consecutive trading days immediately prior to the date of the Company's conversion notice.

The Company may issue up to $3,500,000 aggregate principal amount of debentures without the consent of or notice to the holders in the event a Liquidity Event is not consummated on or prior to June 6, 2020. Pursuant to the Agency Agreement, in the event a liquidity event has not occurred by June 6, 2020, the Company will issue additional Debenture Units in an aggregate principal amount equal to 10% of the aggregate number of Debenture Units initially issued to the purchaser as a penalty. In June 2020, the Company issued additional Senior Debentures totaling $1,467,000 as a result of this provision. In connection with the additional debentures issued, the Company recognized a derivative liability of $427,246 and also recorded an offsetting debt discount.

Effective June 6, 2022, the Company amended its Senior Debentures as part of a restructuring support agreement with Icanic Brands (the "Modification"). The Modification provides for 25% of the outstanding principal and accrued unpaid interest to be settled in cash with the remaining 75% settled in new convertible debentures which bear interest at 11% and convert into units at $0.10 with each unit comprised of an Icanic Brands common share and share purchase warrant exercisable into Icanic Brands common share at a price of $0.10 per share for a period of 24 months from the date of conversion. See "*Note 4 – Business Combinations*" for further information.

In connection with the issuance of the Senior Debentures, share purchase warrants ("Senior Warrants") exercisable into common shares based on its issue price divided by its conversion price were also issued. The conversion price is equal to the lesser of: (A) the price that is a 25% discount to the liquidity event price and (B) the price determined based on a certain value. The exercise price is a price per common share which is 50% greater than the conversion price. The exercise price is subject to adjustment in the event of a common share reorganization, rights offering, special distribution, or capital reorganization. The warrants are exercisable upon the occurrence of a liquidity event, as defined in the Senior Warrant agreement, and the exercise period is the 24 months following the liquidity event date, provided that if a liquidity event has not occurred within five (5) years from the initial closing date of this offering, the warrants shall expire. The aggregate value of these warrants were determined to be de minimis. The embedded conversion feature of the Senior Debentures has been deemed to be a derivative. See "*Note 11 – Derivative Liabilities*" for further details.

(Unaudited - Expressed in United States Dollars)

13. Convertible Debentures (Continued)

As a result of the non-fixed number of shares the Senior Debentures, Unsecured Debentures and Senior Warrants can be converted or exercised into, these features were recognized as a derivative liability (see "*Note 11 – Derivative Liabilities*").

14. Lease Liabilities

A reconciliation of the beginning and ending balance of lease liabilities for the six months ended June 30, 2022 is as follows:

	2022
Balance as of beginning of period	$ 907,423
Recognition of lease liability	1,276,807
Interest expense accrual	86,854
Payment of principal and interest	(140,965)
Balance as of end of period	**2,130,119**
Less current portion of lease liabilities	(189,310)
Lease liabilities, net of current portion	**$ 1,940,809**

The Company used an incremental borrowing rate between 12% to 15%. Total future payments under lease agreements are further disclosed in "*Note 16 – Financial Instruments and Financial Risk Management*".

Finance Liability

In June 2019, the Company sold and subsequently leased back equipment with third parties resulting in total gross proceeds of approximately $2,130,000, fees of $153,800 as well as warrants issued to the lessor for the lease of equipment. The Company determined that this sale did not qualify as a sale under IFRS 15, "*Revenue Contracts with Customers*", due to prohibited continuous involvement in the assets sold by the Company. Accordingly, the "sold" assets remained within equipment for the duration of the lease and a finance liability equal to the amount of the proceeds received, less fees and the fair value of the warrants issued, was recorded as a finance liability on the Condensed Consolidated Statements of Financial Position. See "*Note 18 – Share Capital*" for further discussion on the warrants issued.

A reconciliation of the beginning and ending balance of the finance liability for the six months ended June 30, 2022 is as follows:

	2022
Balance as of beginning of period	$ 1,007,984
Interest expense accrual	68,252
Payment of principal and interest	(364,366)
Balance as of end of period	**711,870**
Less unamortized discount	(63,199)
Finance liability, net of discount	648,671
Less current portion of lease liabilities	(155,038)
Finance liability, net of current and discount	**$ 493,633**

14. Lease Liabilities (Continued)

The weighted average discount rate applied to the finance leases for the six months ended June 30, 2022 was 33.03%. The weighted average remaining terms of the leases as of June 30, 2022 was 0.8 years. Total future payments under finance lease agreements are further disclosed in "*Note 16 – Financial Instruments and Financial Risk Management*".

15. Contingent Consideration and Consideration Payable

On May 7, 2021, the Company closed on a Share Exchange Agreement to acquire 100% of THC Engineering LLC, ("THC"). As consideration, the Company agreed to issue the following in common shares: (1) $1,750,000 at a price per common share equal to a VWAP. ("Consideration Shares"); (2) $2,750,000 common shares at a price per common share equal to a VWAP upon the satisfaction of certain milestones ("Technology Shares").

The Technology Shares are issuable upon the completion of the following milestones: (1) $500,000 common shares at a price per common equal to a VWAP ("First Technology Target"), (2) $1,750,000 common shares at a price per common share equal to a VWAP ("Second Technology Target"), (3) $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: (1) 6% of Considerations are issuable upon the Closing Date, (2) 25% of Consideration and Technology Share are issuable on January 1, 2022; (3) 25% of Consideration and Technology Share are issuable on April 1, 2022; (4) 25% of Consideration and Technology Share are issuable on July 1, 2022; and, (5) 19% of Consideration and 25% Technology Share 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. See "*Note – 18 Share Capital*" for information on shares issued during the six months ended June 30, 2022 in relation to the Share Exchange Agreement.

As of June 30, 2022 and December 31, 2021, the contingent consideration was $1,729,054 and nil, respectively. As of June 30, 2022 and December 31, 2021, the consideration payable was $3,639,538 and nil, respectively, of which $3,618,538 is included as the current portion of consideration payable in the Condensed Consolidated Statement of Financial Position as of June 30, 2022.

(Unaudited - Expressed in United States Dollars)

16. Financial Instruments and Financial Risk Management

Financial Instruments

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Financial instruments are measured at amortized cost or at fair value. Financial instruments measured at amortized cost consist of accounts receivable, and accounts payable and accrued liabilities wherein the carrying value approximates fair value due to its short-term nature. Other financial instruments measured at amortized cost include notes payable, lease liabilities, and convertible debentures wherein the carrying value at the effective interest rate approximates fair value as the interest rate for notes payable and the interest rate used to discount the host debt contract for convertible debentures approximate a market rate for similar instruments offered to the Company.

Cash are measured at Level 1 inputs. Derivative assets and derivative liabilities are measured at fair value based on the Monte Carlo or Black-Scholes option-pricing model, which uses Level 3 inputs. Convertible debentures are measured at fair value based on the Monte Carlo and Black-Sholes simulation model, which uses Level 3 inputs.

The following table summarizes the Company's financial instruments as of June 30, 2022:

	Amortized Cost	FVTPL	Total
Financial assets:			
Cash	$ -	$ 9,937,292	$ 9,937,292
Accounts receivable	$ 4,544,116	$ -	$ 4,544,116
Financial liabilities:			
Accounts payable and other accrued liabilities	$ 5,415,863	$ -	$ 5,415,863
Notes payable	$ 296,547	$ -	$ 296,547
Derivative liabilities	$ -	$ 9,664,608	$ 9,664,608
Lease liabilities	$ 2,130,119	$ -	$ 2,130,119
Finance lease liabilities	$ 648,671	$ -	$ 648,671

(Unaudited - Expressed in United States Dollars)

16. Financial Instruments and Financial Risk Management (Continued)

The following table summarizes the Company's financial instruments as of December 31, 2021:

	Amortized Cost	FVTPL	Total
Financial assets:			
Cash	$ -	$ 7,513,371	$ 7,513,371
Accounts receivable	$ 1,841,421	$ -	$ 1,841,421
Financial liabilities:			
Accounts payable and other accrued liabilities	$ 2,086,750	$ -	$ 2,086,750
Convertible debentures	$ -	$ 12,666,268	$ 12,666,268
Notes payable	$ 94,459	$ -	$ 94,459
Derivative liabilities	$ -	$ 2,513,681	$ 2,513,681
Lease liabilities	$ 907,423	$ -	$ 907,423
Finance lease liabilities	$ 882,837	$ -	$ 882,837

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. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, and receivables. The Company's cash is held through United States financial institutions and no losses have been incurred in relation to these items.

The Company's receivables are comprised of trade accounts receivable, unbilled revenues, and term note receivables. As of June 30, 2022 and December 31, 2021, the Company has approximately $2,980,266 and $1,394,000, respectively, $1,068,667 and $138,500, respectively, $855,637 and $607,000, respectively, in trade accounts receivable outstanding 0-60 days, 61-90 days and over 90 days, respectively. The expected credit loss for overdue balances as of June 30, 2022 and December 31, 2021 is estimated to be approximately $690,000 and $322,000, respectively, based on subsequent collections, discussions with associated customers and analysis of the credit worthiness of the customer.

As of June 30, 2022 and December 31, 2021, the Company has a promissory note receivable for approximately $167,000 and $326,000, respectively, from a California licensed producer and included as a component of other assets in the Consolidated Statements of Financial Position. As security for the promissory note the Company holds second ranking security interest, to the senior lender, over the licensed producers' assets.

The carrying amount of cash, promissory note receivable, and trade and other receivables represent the maximum exposure to credit risk. As of June 30, 2022 and December 31, 2021, the net amount of maximum exposure risk was approximately $14,676,000 and $9,840,000, respectively.

(Unaudited - Expressed in United States Dollars)

16. Financial Instruments and 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 of June 30, 2022, the market and other risks are low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

The Company has the following contractual obligations as of June 30, 2022:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	TOTAL
Accounts payable and other accrued liabilities	$ 5,415,863	$ -	$ -	$ -	$ 5,415,863
Notes payable	$ 242,659	$ 53,888	$ -	$ -	$ 296,547
Derivative liabilities	$ -	$ 9,664,608	$ -	$ -	$ 9,664,608
Lease liabilities	$ 189,310	$ 757,986	$ 922,015	$ 260,808	$ 2,130,119
Finance lease liabilities	$ 155,038	$ 493,633	$ -	$ -	$ 648,671

The Company has the following contractual obligations as of December 31, 2021:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	TOTAL
Accounts payable and other accrued liabilities	$ 2,086,750	$ -	$ -	$ -	$ 2,086,750
Convertible debentures, net of discount	$ 12,666,268	$ -	$ -	$ -	$ 12,666,268
Notes payable	$ 40,571	$ 53,888	$ -	$ -	$ 94,459
Derivative liabilities	$ -	$ 2,513,681	$ -	$ -	$ 2,513,681
Lease liabilities	$ 82,840	$ 348,262	$ 339,441	$ 136,880	$ 907,423
Finance lease liabilities	$ 509,767	$ 373,070	$ -	$ -	$ 882,837

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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bear interest at market rates. The Company's financial liabilities have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(Unaudited - Expressed in United States Dollars)

17. Related Party Transactions

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive persons. During the six months ended June 30, 2022, the Company recognized approximately $397,400, and $431,200, in compensation and stock-based compensation, respectively, provided to key management.

Related Party Balances

For the six months ended June 30, 2022, the Company had accrued approximately $440,000 of expenses to a farming company that is owned by a member of management and shareholder with approximately $58,400, unpaid as of June 30, 2022.

On November 2, 2021, the Company acquired 100% of the outstanding membership interests of Anderson Development SB, LLC (“ADSB”) from third parties and a controlling interest holding related party in exchange for approximately $1,440,000 plus up to an additional $2,400,000 of consideration (the “Contingent Consideration”) (collectively, the “Consideration”). The Consideration is payable in Common Stock. The Contingent Consideration is subject to ADSB obtaining a land use permit and a business license by August 31, 2023 that permits ADSB to conduct cannabis cultivation operations. ADSB primarily holds an option to acquire certain real property in Santa Barbara County, California. The Company determined that the acquisition of ADSB membership interest was a common control transaction and have elected to record the assets acquired and liabilities assumed at the historical book value rather than fair value with no recognition of goodwill or gain or loss. Additionally, the Company has elected to record the equity Consideration at par value and will recognize the Contingent Consideration in the consolidated financial statements only when met.

Below are the amounts recognized by the Company for the assets acquired and liabilities assumed:

Cash	$ 214,916
Accounts receivable	11,900
Prepaid expenses and deposits	102,498
Property and equipment	931,583
Accounts payable and other accrued liabilities	(65,541)
Stock subscription payable	**$ 1,195,356**

(Unaudited - Expressed in United States Dollars)

18. Share Capital

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 June 30, 2022.

Common shares

For the six months ended June 30, 2022:

Pursuant to the acquisition of LEEF, the Company issued 758,274,035 common shares which were subject to a contractual hold period in accordance with the terms of the merger agreement, with an initial one-eighth of the shares received to be released on the one-year anniversary of closing and the remaining shares to be released in equal one-eighth installments every three months thereafter. See "*Note 1 – Nature and Continuance of Operations*" and "*Note 4 – Business Combinations*" for further information on the business combination.

On May 20, 2022, the Company issued 3,764,858 common shares with a fair value of $2,750,000 pursuant to the payment of 50% of the consideration shares and a portion of the first milestone shares owed with respect to the terms of the Share Exchange Agreement made for the acquisition of THC Engineering. See "*Note 15 – Contingent Consideration and Consideration Payable*" for further information.

Warrants

A reconciliation of the beginning and ending balance of warrants outstanding is as follows:

	Number of Warrants
Balance as of December 31, 2021	**7,480,000**
Assumed in business acquisition from LEEF Holdings, Inc.	6,616,800
Balance as of June 30, 2022	**14,096,800**

The following table summarizes the warrants outstanding that remain outstanding as of June 30, 2022:

Expiration Date	Number of Warrants	Exercise Price
June 7, 2024	6,414,308	$ 0.08
June 6, 2024	202,492	$ 0.02
July 22, 2022	3,770,000	$ 0.31
August 13, 2022	3,710,000	$ 0.31
Total warrants outstanding	**14,096,800**	

As of June 30, 2022, 13,894,308 warrants were able to be exercised.

(Unaudited - Expressed in United States Dollars)

18. Share Capital (Continued)

As of June 30, 2022, warrants outstanding classified as equity have a weighted-average remaining contractual life of 1.0 years.

2019 Stock incentive plan

The omnibus 2019 stock incentive plan permits the Board of Directors of the Company to grant options to employees and non-employees to acquire common shares of the Company at fair market value on the date of approval by the Board of Directors. Vesting is determined on an award-by-award basis.

The following table summarizes 2019 stock incentive plan activity during the six months ended June 30, 2022:

	Number of Stock Options
Balance as of December 31, 2021	**14,708,998**
Granted	7,508,259
Assumed in busines acquisition from LEEF Holdings, Inc.	121,301,711
Balance as of June 30, 2022	**143,518,968**

(Unaudited - Expressed in United States Dollars)

18. Share Capital (Continued)

The following table summarizes the stock options that remain outstanding as of June 30, 2022:

Exercise Price	Expiration Date	Stock Options Outstanding	Stock Options Exercisable	Vesting Condition
$ 0.06	March 2030	3,136,888	3,136,888	Performance based
$ 0.06	February 2029	2,648,361	2,648,361	Performance based
$ 0.06	October 2022	1,568,444	1,568,444	Performance based
$ 0.06	October 2022	25,095	25,095	Immediate vesting
$ 0.06	April 2023	12,548	12,548	Immediate vesting
$ 0.06	January 2030	882,795	882,795	Immediate vesting
$ 0.06	June 2029	18,821,325	6,273,775	Performance based
$ 0.81	February 2029	10,718,917	10,718,917	Performance based
$ 0.06	July 2029	28,249,178	28,249,178	Immediate vesting
$ 0.06	February 2029	1,112,428	1,067,931	Three year vesting
$ 0.06	February 2029	125,476	125,476	One year vesting
$ 0.06	February 2029	941,066	941,066	Two year vesting
$ 0.06	February 2029	22,943,866	22,943,866	25% on initial date, 25% over 3 years
$ 0.06	February 2029	195,453	195,453	Immediate vesting
$ 0.06	February 2029	2,643,907	2,643,907	Three year vesting
$ 0.00	October 2030	8,871,118	8,871,118	One year vesting
$ 0.10	October 2030	1,254,755	1,254,755	Performance based
$ 0.10	January 2031	125,476	62,738	Two year vesting
$ 0.10	June 2031	2,509,510	627,378	Three year vesting with performance acceleration
$ 0.11	July 2031	1,090,796	181,799	Three year vesting
$ 0.11	October 2031	12,569,508	3,142,377	Two year vesting
$ 0.11	October 2031	313,689	313,689	Immediate vesting
$ 0.10	December 2030	125,476	125,476	Performance based
$ 0.11	October 2022	415,638	415,638	Immediate vesting
$ 0.40	June 2023	2,750,000	2,750,000	Immediate
$ 0.33	July 2024	3,750,000	3,750,000	Immediate
$ 0.33	July 2024	1,650,000	1,650,000	Six months vesting
$ 0.33	July 2024	390,000	390,000	Four years vesting
$ 0.33	July 2024	850,000	850,000	Five years vesting
$ 0.35	October 2025	3,619,000	1,688,867	Thirty months vesting
$ 0.35	October 2025	250,000	166,667	Two year vesting
$ 0.35	October 2025	650,000	650,000	Immediate
$ 0.70	February 2026	100,000	100,000	Immediate
$ 0.55	March 2026	500,000	166,667	Thirty months vesting
$ 0.35	June 2026	199,998	46,666	Thirty months vesting
$ 0.19	April 2027	7,508,259	417,126	Three year vesting
		143,518,968	**109,054,658**	

(Unaudited - Expressed in United States Dollars)

18. Share Capital (Continued)

For the six months ended June 30, 2022, the fair value of stock options granted was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	2022
Weighted-Average Risk-Free Annual Interest Rate	2.74%
Weighted-Average Expected Annual Dividend Yield	0.00%
Weighted-Average Expected Stock Price Volatility	101.48%
Weighted-Average Expected Life of Stock Options (Years)	5.00
Weighted-Average Expected Forfeiture Rate	0.00%

The intrinsic value of the aggregate outstanding options as of June 30, 2022 was $606,671.

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. 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
Six months ended June 30, 2022			
Revenues	$ -	$ 15,490,633	$ 15,490,633
Total expenses	416,304	31,317,462	30,901,158
Loss before provision for income taxes	**$ 416,304**	**$ (15,826,829)**	**$ (15,410,525)**
As at June 30, 2022			
Total Current Assets	7,441,342	35,336,156	42,777,498
Total assets	64,078,955	20,336,935	84,415,890
Total liabilities	4,939,402	43,526,163	48,465,565

(Unaudited - Expressed in United States Dollars)

20. Non-controlling interest

Non-controlling interest represents the net assets of the subsidiaries the Company does not directly own. The net assets of the non-controlling interest are represented by equity holders outside of the Company. As of June 30, 2022 and December 31, 2021, the Company holds a 51.01% and 51.01% interest, respectively, in an investment subsidiary and the third party holds a 48.99% and 48.99% minority interest, respectively. This entity is included in the financial statements with a resulting non-controlling interest reflected therein. Non-controlling interests are included as a component of shareholders' equity.

A reconciliation of the beginning and ending balances for non-controlling interest for the six months ended June 30, 2022 is as follows:

		2022
Balance as of beginning of period	$	5,060,913
Share of loss		(475,976)
Balance as of end of period	**$**	**4,584,937**

As of June 30, 2022, non-controlling interest included the following amounts before intercompany eliminations:

		2022
Current assets	$	3,725,789
Non-current assets		25,923
Total assets	**$**	**3,751,712**
Current liabilities	$	241,810
Non-current liabilities		1,000
Total liabilities	**$**	**242,810**
Revenues	**$**	**-**
Net loss and comprehensive loss attributable to non-controlling interest	**$**	**(475,976)**

21. Commitments and contingencies

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of June 30, 2022 and December 31, 2021, marijuana regulations continue to evolve and are subject to differing interpretations. In addition, the use, sale, and possession of cannabis in the United States, despite state laws, is illegal under federal law. However, individual states have enacted legislation permitting exemptions for various uses, mainly for medical and industrial use but also including recreational use. As a result of the differing state and federal laws, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of June 30, 2022 and December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. As of June 30, 2022 and December 31, 2021, there are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party to the Company or has a material interest adverse to the Company's interest.

22. Subsequent Events

On May 13, 2022, The Company entered into a non-binding LOI to acquire 100% of DNA Organics, Inc. ("Lifted Organics"), a premium California based cultivator and manufacturer.

On August 15, 2022, the Company announced that it received final approval from the Supreme Court of British Columbia for the Company's Plan of Arrangement approved by secured debenture holders on August 8, 2022 to effect the Company's recapitalization transaction. The Company's recapitalization transaction is a part of the integration of the Company and LEEF following the closing of the merger on April 20, 2022. The recapitalization transaction will reduce the Company's outstanding indebtedness and debt service costs and improve its overall capital structure.

On August 8, 2022, the Company announced the holders (the "Senior Debenture Holders") of the 2019 Secured Convertible Debentures (the "Secured Debentures") issued by the Company voted in favor of the Company's Plan of Arrangement.

22. Subsequent Events (Continued)

Per the Plan of Arrangement, the 2019 Secured Convertible Debentures, which matured on June 6, 2022, will be replaced with new 2022 Secured Convertible Debentures. Each Secured Debenture Holder will receive: (i) 25% of the principal and interest and interest outstanding on the 2019 Debentures on the effective date of the Plan of Arrangement (the “Effective Date”); and (ii) a new secured debenture (each, a “New Secured Debenture”) in the principal amount equal to 75% of the principal and interest outstanding on the Effective Date under the Secured Debenture Holder’s 2019 Debenture. The New Secured Debentures will be issued pursuant to a debenture indenture (the “New Debenture Indenture”) to be entered into as of the Effective Date between Icanic and Odyssey as trustee and collateral agent. The New Secured Debentures will bear interest at 11% per annum and mature on that date (the “New Maturity Date”) that is 24 months following the Effective Date. Interest on the New Secured Debentures shall be payable in cash on the New Maturity Date. The New Secured Debentures shall be convertible into units of Icanic at a conversion price of $0.10 per unit (each, a “Unit”), with each Unit comprised of one common share of the Company (a “Common Share”) and a Common Share purchase warrant exercisable at $0.15 per Common Share for a period of 24 months from the date of conversion (a “Warrant”). The Warrants will be governed by a warrant indenture (the “Warrant Indenture”) to be entered into as of the Effective Date between Icanic and Odyssey, as warrant agent.