

Form 51-102F3
AMENDED AND RESTATED MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Icanic Brands Company Inc. (the “**Company**” or “**Icanic**”)
789 West Pender Street, Suite 810
Vancouver, BC V6C 1H2

Item 2. Date of Material Change

April 20, 2022

Item 3. News Release

News release dated April 21, 2022 was disseminated via GlobeNewswire and subsequently filed on SEDAR.

Item 4. Summary of Material Change

The Company announced the closing of its acquisition of 100% of LEEF Holdings, Inc. (“**LEEF**”).

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

The Company announced that, further to its new release on January 25, 2022, it had acquired 100% of the common stock (the “**Leef Shares**”) of LEEF, a California based extractions company, pursuant to the terms and conditions of a merger agreement (the “**Merger Agreement**”) among the Company, its wholly-owned subsidiary, Icanic Merger Sub, Inc. (“**Subco**”) and LEEF, dated January 21, 2022 (the “**Merger**”).

Pursuant to the terms of the Merger Agreement, the Company acquired all the issued and outstanding LEEF Shares in accordance with the *Nevada Revised Statutes*. In consideration for the acquisition of the LEEF Shares, Icanic issued an aggregate of 758,274,035 common shares of the Company (the “**Icanic Shares**”), resulting in former LEEF shareholders being entitled to receive 12.54755 Icanic Shares for each Leef Share held. The Icanic Shares received as consideration pursuant to the Merger are subject to a contractual hold period in accordance with the terms of the Merger Agreement, with an initial one-eighth of the Icanic Shares received to be released one-year from today, and the remaining Icanic Shares to be released in equal one-eighth installments every three months thereafter. Additionally, all directors, officers and key shareholders of Icanic and LEEF have entered into lock-up agreements pursuant to which one-sixth of their Icanic Shares shall be released eighteen months from closing with the remaining Icanic Shares to be released in equal one-sixth 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 the date hereof 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 date hereof 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 date hereof 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 (the “**Third Earn-Out Payment**”).

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

Upon closing of the Merger, the Company entered into an employment agreement with Micah Anderson whereby Mr. Anderson has been appointed Chief Executive Officer of LEEF. Upon closing of the Merger and pursuant to Mr. Anderson’s employment agreement, the Company granted Mr. Anderson 7,508,259 stock options of the Company (each, an “**Option**”), whereby each Option entitles the holder thereof to acquire one Icanic Share at \$0.185 per Icanic Share for a period of five years from the date of issuance, vesting in 36 equal monthly installments over three years.

In addition and in connection with the Merger, the Company issued 22,748,223 Icanic Shares at \$0.19978 per Icanic Share to Mark Smith pursuant to his employment agreement as bonus payment.

5.2 Disclosure for Restructuring Transactions

The parties involved in the Merger were the Company, Subco, and LEEF. The following provides disclosure for each of the foregoing companies:

The Company

The Company is a corporation incorporated under the laws of the Province of British Columbia and is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. The following information has been incorporated by reference in this material change report from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company at suhas@ganjagold.com Attention: Suhas Patel, and are also available electronically at www.sedar.com.

- a. Audited annual financial statements of the Company for the years ended July 31, 2021 and 2020;
- b. Management’s Discussion and Analysis for the Company for the years ended July 31, 2021 and 2020;
- c. Unaudited interim financial statements of the Company for the six months ended June 30, 2022;
- d. Management’s Discussion and Analysis for the Company for the six months ended June 30, 2022);
- e. Management Information Circular of the Company dated May 12, 2022 with respect to the Annual General and Special Meeting held on June 21, 2022 (the “**Circular**”);
- f. News Release dated January 25, 2022;
- g. Material Change Report dated January 31, 2022; and
- h. Business Acquisition Report dated July 12, 2022 (the “**BAR**”).

Subco

Subco was incorporated in accordance with the laws of the State of Nevada. It was incorporated by the Company on December 14, 2021 for the sole purpose of effecting the Merger in accordance with the terms of the Merger Agreement and did not ever engage in any active business.

LEEF

LEEF was a corporation incorporated in accordance with the laws of the State of Nevada. Please refer to the attached Appendix “A” for information regarding LEEF prior to the Merger.

The audited financial statements of LEEF for the years ended December 31, 2021 and 2020 (the “**Annual Financial Statements**”) and the unaudited financial statements of LEEF for the three months ended March 31, 2022 and 2021 (the “**Interim Financial Statements**”) are attached to the BAR, which is incorporated herein by reference.

Item 6. Reliance on subsection 7.1(2) of National Instrument 51–102

Not applicable.

Item 7. Omitted Information

None.

Item 8. Executive Officers

Brandon Kou
Chief Executive Officer
Tel: 604-687-2038

Item 9. Date of Report

October 7, 2022 (amending the material change report dated April 27, 2022)

APPENDIX “A”

INFORMATION CONCERNING LEEF HOLDINGS INC.

The following information is provided in respect of LEEF Holdings, Inc. as at April 20, 2022 prior to its merger with Icanic Merger Sub, Inc. on April 20, 2022. When used in this Appendix “A”, “LEEF” shall refer to LEEF Holdings, Inc. prior to the Merger.

GLOSSARY

The following is a glossary of certain general terms used in this amended and restated material change report (the “**Report**”), including the summary hereof. Terms and abbreviations used in the consolidated financial statements and management’s discussion and analysis included in, or appended to this report are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

“**ADSB**” means Anderson Development SB, LLC, a wholly owned subsidiary of LEEF incorporated under the laws of the State of California.

“**Annual Financial Statements**” has the meaning ascribed thereto under Item 5.2 of the Report.

“**BAR**” has the meaning ascribed thereto under Item 5.2 of the Report.

“**Bayline**” means Bayline Capital Partners Inc.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, together with all regulations promulgated thereto.

“**Blumenauer-Farr Amendment**” has the meaning ascribed thereto under “*Risk Factors*”.

“**Board**” means the board of directors of LEEF.

“**Cannaco**” means Cannaco Research Corporation.

“**CBD**” means cannabidiol.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**Circular**” has the meaning ascribed thereto under Item 5.2 of the Report.

“**CMO**” means Chief Marketing Officer.

“**Common Share**” or “**Icanic Share**” means a common share of the Company.

“**Company**” or “**Icanic**” means Icanic Brands Company Inc., a company organized under the laws of British Columbia.

“**Consulting Agreement**” has the meaning ascribed thereto under “*Description of the Business – Three-Year History*”.

“**CSA**” means the Controlled Substances Act, 21 U.S.C., §801 et seq.

“**Earn-Out Payments**” means collectively the First Earn-Out Payment, the Second Earn-Out Payment and the Third Earn-Out Payment.

“**First Earn-Out Payment**” has the meaning ascribed thereto under Item 5 of the Report.

“**Headieslaps**” means Headieslaps, LLC.

“**Heirloom**” means Heirloom Valley LLC.

“**Interim Financial Statements**” has the meaning ascribed thereto under Item 5.2 of the Report.

“**LEEF**” means LEEF Holdings, Inc.

“**LEEF EC**” means LEEF EC Retail, LLC, a wholly owned subsidiary of LEEF incorporated under the laws of the State of California.

“**Leef Share**” means a common share of LEEF.

“**LUP**” means a land use permit.

“**Merger**” has the meaning ascribed thereto under Item 5 of the Report.

“**Merger Agreement**” has the meaning ascribed thereto under “*Description of the Business – Reorganizations*”.

“**MOU**” has the meaning ascribed thereto under “*Risk Factors*”.

“**Named Executive Officer**” or “**NEO**” means:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than C\$150,000 for that financial year; or
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

“**Option**” means an option issued pursuant to the Option Plan.

“**Option Plan**” means the incentive stock option plan of LEEF discussed under “*Options to Purchase Securities*”.

“**Paleo Paw**” means Paleo Paw Corp. (doing business as LEEF Organics), a wholly-owned subsidiary of LEEF incorporated under the laws of the State of California.

“**Potters**” means Potters Brand Holdings Inc.

“**Report**” means this amended and restated material change report dated October 7, 2022.

“**Second Earn-Out Payment**” has the meaning ascribed thereto under Item 5 of the Report.

“**Service Provider**” has the meaning ascribed thereto under “*Options to Purchase Securities*”.

“**Staff Notice 51-352**” has the meaning ascribed thereto under “*Risk Factors*”.

“**Stockholders’ Agreement**” has the meaning ascribed thereto under “*Material Contracts*”.

“**SUA**” has the meaning ascribed thereto under “*Risk Factors*”.

“**Subco**” means Icanic Merger Sub, Inc., a corporation incorporated under the laws of the State of Nevada.

“**SZS**” means Seven Zero Seven, LLC, a wholly owned subsidiary of LEEF incorporated under the laws of the State of California.

“**Tetra**” means Tetra Branding, LLC.

“**Third Earn-Out Payment**” has the meaning ascribed thereto under Item 5 of the Report.

“**U.S.**” means the United States of America.

“**Warrant**” means the common share purchase warrants of the Company.

CORPORATE STRUCTURE

Name, Address and Incorporation

LEEF was formed on July 24, 2018 as a limited liability company under the name, LEEF Holdings, LLC, organized under the laws of the State of Delaware. LEEF was converted to a holding company under the name, LEEF Holdings, Inc., on January 28, 2019 under the laws of the State of Nevada.

LEEF's head office and principal office is located at 270 – 5666 La Jolla Boulevard, La Jolla, California 92037. Its registered and records offices are located at 150 – 1220 S Street, Sacramento, California 95811 and 2 – 4625 West Nevso Drive, Las Vegas, Nevada 89103.

Intercorporate Relationships

LEEF has the following subsidiaries:

Name	Jurisdiction	Ownership
Paleo Paw Corp.	California, U.S.	100%
Seven Zero Seven, LLC	California, U.S.	100%
LEEF EC Retail, LLC	California, U.S.	100%
Anderson Development SB, LLC	California, U.S.	100%
Willits Retail, LLC	Nevada, U.S.	100%
Payne's Distribution, LLC	California, U.S.	100%
Aya Biosciences, Inc.	Delaware, U.S.	51.01%
Leef Investments, Inc.	Delaware, U.S.	100%

DESCRIPTION OF THE BUSINESS

Overview

LEEF is a vertically integrated cannabis holding company dedicated to the biodiscovery of plant-based wellness and cannabis products through organic soil-based farming and botanically based extractions. It operates in the regulated California cannabis industry and is one of the largest cannabis extraction companies in the State of California.

LEEF is primarily focused on manufacturing and distribution of cannabis products via multiple extraction methods. It also operates a cannabidiol (“**CBD**”) wellness product line, LEEF Organics, as well as a CBD pet product line, Paleo Paw. Both LEEF Organics and Paleo Paw are sold across the United States.

Production and Services

Products and brands

LEEF's portfolio of products serves the growing and changing needs of cannabis consumers. Its products include THRIVAL, which is a whole plant and cold pressed CBD extract; REVIVE, a botanically pure and slow simmered CBD balm; NOOKS + CRANNIES, a CBD soap with supercharged botanicals and essential oils; RECOVERY, an herbal blend and wild crafted CBD roll-on; WILD CRAFTED, a CBD skin oil with antioxidant and free-radical fighting properties; STEEP, an aromatic and relaxing CBD bath tea; and REVIVAL, a whole plant CBD body oil.

LEEF also owns the following brands:

- (a) *Heady*. Heady is a farm to lifestyle brand, which connects environmentally conscious consumers to family farms with a commitment to sustainability and preservation of the land cultivated for quality cannabis product offerings.
- (b) *Paleo Paw*. Paleo Paw provides a holistic and proactive approach to health through more natural alternatives to the overall health and wellness of pets. Its products include CBD treats and cannabidiol formulas in both a tincture and edible option.
- (c) *Real Deal Resin*. Real Deal Resin brings to market high quality solventless hash rosin through its solventless extraction process of the cannabis plant. The brand brings together pop culture with pot culture through its artistic collaborations, cannabis satire and cultural trends expressed through its small batch merchandise and consumer packaged goods.

Manufacturing (ethanol and hydrocarbon extraction)

LEEF's cannabis facility is located at 175 North Lenore Avenue, Willits, California 95490. LEEF has manufacturing capabilities including a 12,000 square foot extraction and manufacturing facility in Willits, California with up to 45 tonnes of biomass throughput per month and up to 4,000 litres of distillate extraction capability per month. Its core manufacturing competencies include ethanol extraction (Type 6 manufacturing license), hydrocarbon extraction (Type 7 manufacturing license), and solventless extraction. LEEF also has a licensed commercial kitchen, Leef Labs, to produce edibles, including gummies, chocolates, and caramels.

LEEF is further building out a 45,000 square foot processing facility for processing, distribution and delivery, and has received a permit for a 186.7 acre cultivation site in California.

White labelling and tolling

LEEF offers a variety of white labelling and tolling services or pre-packaged flower and pre-roll manufacturing and delivery, including the production of oil, topicals, tinctures, and edibles.

Retail and licenses

The CannaPark project is the co-location of multiple cannabis licenses in one campus-like setting in Willits, California. The project is home to LEEF's cultivation, distribution, manufacturing, and retail dispensary licenses for medical cannabis and herbal wellness products.

Specialized Skill and Knowledge

The nature of the LEEF's business requires knowledge of the industry and the category. LEEF is led by an expert group of legacy operators with decades of experience in organic soil-based farming and sophisticated extraction practices. LEEF's management team has built businesses in their past roles in the industry and know when and how to build the infrastructure in an efficient and cost effective manner. LEEF believes that its management team provides a strategic and marked advantage over its competitors through each member's extensive experience in the cannabis industry.

Competitive Conditions

LEEF faces, and expects to continue to face, competition from other companies in the cannabis industry, some of which have longer operating histories, more financial resources and more experience than LEEF. Increased competition by larger and well-financed competitors and/or competitors that have longer operating histories and more manufacturing and marketing experience than LEEF could have a material adverse effect on LEEF's business, financial condition and results of operations. To remain competitive, LEEF will require research and development, marketing, sales and other support, in addition to further growth of its cannabis facilities.

Intangible Properties

LEEF's focus on brand development means its trademarks are important to the general development of the business. LEEF will continue to enhance its product offerings to meet market and consumer demands and requirements.

LEEF currently has the following registered trademarks and pending applications for trademark protection:

Trademark	Serial No. / Registration No.	Goods/Services	Status	Filing Date
PALEO PAW	86052153 / 4594322	Dog food; dog treats; pet food	Registered	August 30, 2013
HEADY	88111965 / 6130918	Electronic smoking pipes; oral vaporizers for smoking purposes	Registered	September 11, 2018
LEEF	88141970	(Intent to use) Cosmetic soaps; herbal tinctures for medical purposes	Notice of allowance issued	October 3, 2018
LEEF (design mark)	88303616 / 6348662	Organic soap bars containing notably CBD extract	Registered	February 15, 2019
FARM TO LIFESTYLE	88671265	(Intent to use) Agricultural services, namely, planting, growing, fertilizing,	Non-final office	October 28, 2019

Trademark	Serial No. / Registration No.	Goods/Services	Status	Filing Date
		pruning and picking hemp for others	action issued	
CANNAPARK	88963110	Retail shops featuring medicinal cannabis and herbal wellness products	Registered	June 12, 2020
NOOKS + CRANNIES	88303616	4 standard character mark	Registered	February 15, 2019

Employees

LEEF and its subsidiaries collectively have 66 employees.

Foreign Operations

LEEF is leasing the following properties: 588 Hazel Avenue, Ukiah, California 95482; 5644 La Jolla Boulevard, La Jolla, California 92037; 303 – 650 Alamo Pintado Road, Solvang, California 93463; and 175 North Lenore Avenue, Willits, California 95490.

Reorganizations

The Merger and the Merger Agreement are described under Item 5 of this Report and Item 2 of the BAR.

Three-Year History

2020

In January and February 2020, LEEF issued 5,255,000 common shares at a price of \$1.00 per share for aggregate proceeds of \$5,255,000.

On September 1, 2020, LEEF entered into a commercial cannabis agreement with Heirloom pursuant to which LEEF agreed to purchase Heirloom cannabis products.

On October 9, 2020, Micah Anderson entered into a LUP consulting services agreement with The Farming Company LLC for consulting services (the “**Consulting Agreement**”) concerning Mr. Anderson’s pursuit of an LUP to cultivate cannabis in or about Santa Barbara County. LEEF received the LUP on November 13, 2021.

On December 1, 2020, LEEF entered into a capital markets advisory services agreement with Bayline Capital Partners Inc. (“**Bayline**”) pursuant to which Bayline agreed to provide certain consulting and capital markets advisory services.

2021

In January 2021, Micah Anderson entered into an indemnification agreement with Salisbury Canyon Ranch, LLC as part of an application to the County of Santa Barbara for a LUP for a commercial cannabis operation with 195 acres of outdoor cultivation and a 0.5 acre nursery at 100 Salisbury Canyon Road, Cuyama.

On June 9, 2021, LEEF entered into a trademark license agreement with Potters and Tetra pursuant to which Potters and Tetra granted LEEF a license to certain of their trademarks, service marks, trade names, copyrights, and related trade dress, designs, design patents, intellectual property, and symbols.

On June 30, 2021, LEEF issued 3,229,180 common shares at a price of \$1.26 to convertible debenture holders to convert the aggregate sum of \$4,068,786 in debt into common shares of LEEF.

On March 23, 2021, LEEF entered into a cultivation and master product agreement with Heirloom pursuant to which Heirloom agreed to plant 25 acres of cultivation during the 2021 spring harvest to grow biomass material for full allocation to LEEF.

In April 2021, LEEF issued 1,877,534 common shares at a price of \$1.32 per share for aggregate proceeds of \$2,478,345.

On May 11, 2021, LEEF entered into a distribution agreement with Cannaco Research Corporation (“**Cannaco**”) pursuant to which Cannaco distributes LEEF products under a royalty-free, non-exclusive, non-transferable, sub-license in the State of California.

On May 5, 2021, SZS entered into a trademark license agreement with Headieslaps, pursuant to which Headieslaps granted SZS a license to certain of its trademarks, service marks, trade names, copyrights, and related trade dress, designs, design patents, intellectual property, and symbols.

In September and October 2021, LEEF entered into membership unit purchase agreements with Anderson Development unit holders ADSB Management, LLC, JAKFT, LLC, Ken Kavanagh, Air G, LLC, and The Marley Trust to acquire 100% of the outstanding membership interest of ADSB for aggregate purchase consideration of approximately \$1.2 million and up to an additional approximately \$2.4 million in earnout consideration.

On September 10, 2021, LEEF applied for a loan forgiveness for the total amount of its Paycheck Protection Program loan being US\$37,889 from the U.S. Small Business Administration, which assisted businesses in keeping their employees during the COVID-19 pandemic.

In December 2021, LEEF issued 1,290,087 common shares at a price of \$1.32 per share for aggregate proceeds of \$1,702,915.

2022

On January 25, 2022, LEEF entered into the Merger Agreement with Icanic and Subco, whereby Icanic will acquire all of the issued and outstanding shares of common stock of LEEF through a statutory triangular merger under the *Nevada Revised Statutes*.

On March 7, 2022, LEEF acquired LEEF Investments, Inc. and issued to the stockholders of LEEF Investments, Inc. an aggregate amount of 6,077,400 LEEF Shares.

On March 7, 2022, the Company raised approximately US\$3,600,000 by issuing 2,727,272 LEEF Shares at US\$1.32 per LEEF Share.

In April 2022, LEEF received the Santa Barbara County business license pursuant to the Consulting Agreement.

On April 20, 2022, LEEF issued 790,254 LEEF Shares to Bayline pursuant to the capital markets advisory services agreement.

On April 20, 2022, LEEF was acquired by Icanic pursuant to the terms of the Merger Agreement.

DIVIDENDS OR DISTRIBUTIONS

LEEF has not paid dividends or made distributions on its common shares during the past three financial years. LEEF has no present intention of paying dividends in the near future. It will pay dividends when, as and if declared by LEEF's board of directors. LEEF expects to pay dividends only out of retained earnings in the event that it does not require its retained earnings for operations and reserves. There are no restrictions in LEEF's articles or notice of articles that prevent it from declaring dividends. LEEF has no shares with preferential dividend and distribution rights authorized or outstanding.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The Annual Financial Statements and the Interim Financial Statements are attached to the BAR, which is incorporated by reference.

Management's Discussion and Analysis of Financial Results for LEEF for years ended December 31, 2021 and 2020 is included as Schedule "A".

Management's Discussion and Analysis of Financial Results for LEEF for the three months ended March 31, 2022 is included as Schedule "B".

The following table sets forth the selected financial information of LEEF for the periods indicated. This information has been summarized from and should be read in conjunction with the Annual Financial Statements and the Interim Financial Statements, together with the related notes thereto.

	As at and for the six-month period ended March 31, 2022 (unaudited) (US\$)	As at and for the year ended December 31, 2021 (audited) (US\$)	As at and for the year ended December 31, 2020 (audited) (US\$)
Net revenue	7,434,173	33,457,025	33,370,853
Net loss	189,768	(7,326,387)	(8,366,098)
Total assets	35,405,459	30,383,874	26,793,225
Total liabilities	24,940,512	23,668,324	21,661,033

DESCRIPTION OF THE SECURITIES

Authorized and Issued Capital

LEEF's authorized share capital consists of 250,000,000 common shares with a par value per share of \$0.001. As at April 20, 2022, immediately prior to the Merger, 60,432,034 common shares were issued and outstanding.

Immediately prior to the Merger, LEEF had 8,639,454 options (each, an "**Option**") and 527,338 common share purchase warrants of LEEF (each, a "**Warrant**") outstanding. In addition, LEEF issued under a debenture indenture dated June 6, 2019 between LEEF and Odyssey Trust Company 9% secured debentures convertible into LEEF Shares, in the original principal amount of US\$14,252,562, and due on June 6, 2022.

Common Shares

The holders of common shares are entitled to receive notice of, and to attend, all meetings of shareholders of LEEF, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each common share held by such holder. The holders of common shares are entitled to receive dividends if and when declared by the directors. In the event of any liquidation, dissolution or winding up of LEEF or other distribution of the assets of LEEF among its shareholders for the purpose of winding up its affairs, the holders of common shares shall be entitled, subject to the rights of the holders of shares of any class ranking prior to the common shares to receive the remaining property or assets of LEEF.

OPTIONS TO PURCHASE SECURITIES

Outstanding Options

At the time of the Merger, LEEF had 8,639,454 Options outstanding.

Option Plan

The Option Plan was adopted by LEEF's stockholders and board of directors on January 1, 2019. The purpose of the Option Plan is to attract and retain personnel for positions, to provide additional incentive to employees, directors and consultants, and to promote the success of LEEF's business.

The following information is intended to be a brief description of the Option Plan and is qualified in its entirety by the full text of the Option Plan:

Eligibility

Any employee, director or consultant (provided that a consultant will not be eligible if providing financing or capital raising services to LEEF) of LEEF (each, a "**Service Provider**") is eligible to receive Options under the Option Plan.

Non-statutory stock options, stock appreciation rights, restricted stock, and restricted stock units may be granted to Service Providers. Incentive stock options may only be granted to employees.

Shares Subject to Option Plan

The maximum number of common shares which may be subject to awards and sold under the Option Plan is 11,256,850. The common shares may be authorized but unissued, or reacquired common stock.

Exercise of Options

The exercise price of the common shares to be issued pursuant to the exercise of an Option will be determined by the administrator, but will be no less than 100% of the fair market value per share on the date of grant. In the case of an incentive stock option granted to an employee who owns stock representing more than 10% of the total combined voting power of all class of stock of LEEF or any parent or subsidiary, the exercise price will be no less than 110% of the fair market value per share on the date of grant.

Term and Expiry Date

The term of each Option will be stated in the award agreement, provided however that the term will be no more than 10 years from the date of grant. In the case of an incentive stock option granted to an optionee who, at the time the incentive stock option is granted, owns stock representing more than 10% of the total combined voting power of all class of stock of LEEF or any parent or subsidiary, the term of the incentive stock option will be 5 years from the date of grant or such shorter term as may be provided in the award agreement.

Vesting

The administrator will set vesting criteria in its discretion, which may be based upon the achievement of company-wide, business unit, or individual goals.

Termination of Options

An optionee who ceases to be a Service Provider, other than upon the optionee's termination as the result of the optionee's death or disability, the optionee may exercise his or her Option within such period of time as is specified in the award agreement (but in no event later than the expiration of the term of such Option as set forth in the award agreement) to the extent that the Option is vested on the date of termination.

In the absence of a specified time in the award agreement, the Option shall remain exercisable for 3 months following the optionee's termination. Unless otherwise provided by the administrator, if on the date of termination the optionee is not vested as to his or her entire Option, the common shares covered by the unvested portion of the Option will revert to the Option Plan. If after termination, the optionee does not exercise his or her Option within the time specified by the administrator, the Option will terminate and the common shares covered by such Option will revert to the Option Plan.

Non-Assignability and Non-Transferability

Except as provided in the Option Plan or as the administrator determines, Options granted under the Option Plan may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable period of restriction.

Adjustments in Shares Subject to Option Plan

In the event that any dividend or other distribution (whether in the form of cash, common shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of common shares or other securities of LEEF, or other change in the corporate structure of LEEF affecting the common shares occurs, the administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Option Plan, will adjust the number and class of common shares that may be delivered under the Option Plan and/or the number, class, and price of common shares covered by each outstanding award; provided, however, that the administrator will make such adjustments to an award required by Section 25102(o) of the *California Corporations Code* to the extent that LEEF is relying upon the exemption afforded under such statute with respect to the award.

CONSOLIDATED CAPITALIZATION

Consolidated Capitalization

The following table outlines the capitalization of LEEF as at April 20, 2022, immediately prior to the closing of the Merger. The table should be read in conjunction with the financial statements of LEEF and the accompanying notes thereto.

Description of the Security	Authorized Amount	Issued and Outstanding as at April 20, 2022 immediately prior to the closing of the Merger
Common Shares ⁽¹⁾	250,000,000	60,432,034

Description of the Security	Authorized Amount	Issued and Outstanding as at April 20, 2022 immediately prior to the closing of the Merger
Options	N/A	8,639,454
Warrants	N/A	527,338
Debentures	N/A	US\$14,252,562

Notes:

(1) On an undiluted basis.

PRIOR SALES

Prior Sales

During the previous 12 months prior to the completion of the Merger, LEEF issued the following common shares or securities exercisable into common shares:

Date of Issuance	Type of Security	Number of Securities	Issue/Exercise Price (US\$)
January 10, 2021	Options	10,000	\$1.21
April 1, 2021	Options	707,000	\$0.81
April 1, 2021	Common shares	1,877,534	\$1.32
April 20, 2021	Options	10,000	\$1.21
June 30, 2021	Common shares	3,229,180	\$1.26
July 1, 2021	Options	200,000	\$1.31
August 1, 2021	Options	86,933	\$1.32
September 28, 2021	Options	33,125	\$1.32
November 1, 2021	Options	911,750	\$1.32
March 7, 2022	Common shares	2,727,272	\$1.32
March 7, 2022	Common shares	6,077,400	\$1.00
April 20, 2022	Common shares	790,254	\$2.01

Trading Price and Volume

The securities of LEEF are not traded or quoted on any stock exchange or other marketplace.

PRINCIPAL SECURITYHOLDERS AND SELLING SECURITYHOLDERS

To the knowledge of the directors and officers of LEEF, the following are the only persons that beneficially own, directly or indirectly, or exercise control or direction over, common shares carrying more than 10% of the voting rights attached to all outstanding common shares:

Name	Number of Common Shares Held	Percentage of Issued Common Shares
Micah Anderson	6,303,500	10.0%

Notes:

(1) Based on 60,432,034 LEEF Shares issued and outstanding immediately prior to the closing of the Merger.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holdings

The officers and directors of LEEF are Micah Anderson (Chief Executive Officer and Director), Emily Heitman (Chief Operating Officer, Corporate Secretary, and Director).

Name and Residence	Position(s) with LEEF	Date Appointed to Position(s) with LEEF	Principal Occupation(s) During the Last 5 Years	Number and Percentage of Common Shares Held ⁽¹⁾
Micah Anderson <i>California, U.S.</i>	Chief Executive Officer, President and Director	January 28, 2019	Please refer to “ <i>Election of Directors – Nominees</i> ” in the Circular for further information.	6,303,500 (10.43%)
Emily Heitman <i>California, U.S.</i>	Chief Operating Officer, Corporate Secretary and Director	January 28, 2019	Please refer to “ <i>Election of Directors – Nominees</i> ” in the Circular for further information.	4,937,762 (8.17%)

Name and Residence	Position(s) with LEEF	Date Appointed to Position(s) with LEEF	Principal Occupation(s) During the Last 5 Years	Number and Percentage of Common Shares Held ⁽¹⁾
Bryon Jaymes	Director	January 28, 2019	Co-Founder and CSO of KÜL Inc. since July 2019 Co-Founding Field Leader of Prüvit since March 2015	924,610 ⁽²⁾ (1.53%)

Notes:

- (1) Based on 60,432,034 LEEF Shares issued and outstanding immediately prior to the closing of the Merger.
(2) Held indirectly through iFLY Ventures, LLC, a company controlled by Mr. Jaymes.

Biographies

Please refer to “*Election of Directors – Nominee Director Biographies*” in the Circular for further information on Mr. Anderson and Ms. Heitman.

Bryon Jaymes – Director

Bryon Jaymes is an entrepreneur and investor. In addition to his role as director of LEEF, Mr. Jaymes is also a co-founding field leader of Prüvit, a ketosis supplements company, and the co-founder and CSO of KÜL Inc., a luxury CBD skincare company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of our knowledge, no existing director or officer of LEEF was within the past ten years, a director or officer of any other issuer that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person as acting in the capacity as director, chief executive officer or chief financial officer.

To the best of our knowledge, no existing director or officer of LEEF:

- (a) was within the past ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became

bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (b) has within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

To the best of our knowledge, no existing director or officer of LEEF has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

LEEF's directors are required by law to act honestly and in good faith with a view to the best interests of LEEF and to disclose any interests they may have in any project or opportunity of LEEF. To the best of our knowledge, and other than as disclosed in the following paragraph, there are no known existing or potential conflicts of interest among LEEF, our directors, officers or other members of management or of any proposed director, officer or other member of management as a result of their outside business interests.

There are potential conflicts of interest to which the directors and officers of LEEF will be subject in connection with the operations of LEEF. In particular, certain of the directors and officers of LEEF are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with those of LEEF. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA.

EXECUTIVE COMPENSATION

Prior to completing the Merger, LEEF was not a reporting issuer in any jurisdiction. As a result, certain information required by Form 51-102F6 – *Statement of Executive Compensation* has been omitted pursuant to Section 1.3(8) of Form 51-102F6.

Securities legislation requires the disclosure of the compensation received by each Named Executive Officer of LEEF. “**Named Executive Officer**” is defined by securities legislation to mean: (i) the CEO; (ii) the CFO; (iii) each of the three most highly compensated executive officers of LEEF, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually more than \$150,000 for that financial year; and (iv) each individual who would be a “Named Executive Officer” under paragraph (iii) but for the fact that the individual was neither an executive officer of LEEF or its subsidiaries, nor acting in similar capacity, at the end of the most recently completed

financial year. Immediately prior to the completion of the Merger, LEEF had the following Named Executive Officers (collectively, the “**Named Executive Officers**” or “**NEOs**”):

- Micah Anderson, CEO of the LEEF; and
- Emily Heitman, COO of the LEEF.

Director and NEO Compensation, Excluding Compensation Securities

The following table provides a summary of the compensation paid to NEOs and directors for the two most recently completed financial years:

Name and Principal Position	Year ended	Salary, consulting fee, retainer or commission (US\$)	Bonus (US\$)	Committee or meeting fees (US\$)	Value of perquisites (US\$)	Value of all other compensation (US\$)	Total Compensation (US\$)
Micah Anderson, CEO and Director	2021	174,066	Nil	Nil	Nil	Nil	174,066
	2020	104,808	Nil	Nil	Nil	Nil	104,808
Emily Heitman, COO, Corporate Secretary, and Director	2021	178,846	Nil	Nil	28,100	Nil	206,946
	2020	112,308	Nil	Nil	Nil	Nil	112,308
Bryon Jaymes, Director	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil

Compensation Discussion and Analysis

LEEF does not have a compensation committee or a formal compensation policy. LEEF relies solely on the directors to determine the compensation of the Named Executive Officers. In determining compensation, the directors consider industry standards and LEEF’s financial situation, but does not currently have any formal objectives or criteria. The performance of each executive officer is informally monitored by the directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer.

Compensation of Directors

The Board of Directors sets the compensation received by directors. Currently, LEEF does not compensate its directors in their capacity as directors of LEEF.

Options and Other Compensation Securities

The following table provides a summary of the compensation securities paid to NEOs and directors for the two most recently completed financial years:

Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (US\$)	Closing price of security on date of grant (US\$)	Closing price of security at year-end (US\$)	Expiry Date
Micah Anderson, CEO and Director	Options	1,000,000 (1,000,000 Common Shares, 1.65%)	June 6, 2019	0.81	N/A	N/A	June 5, 2029
	Options	50,000 (50,000 Common Shares, 0.08%)	March 12, 2019	0.81	N/A	N/A	March 9, 2029
Emily Heitman, COO, Corporate Secretary, and Director	Options	500,000 (500,000 Common Shares, 0.83%)	June 6, 2019	0.81	N/A	N/A	June 5, 2029
	Options	50,000 (50,000 Common Shares, 0.08%)	March 12, 2019	0.81	N/A	N/A	March 9, 2029

Exercise of Compensation Securities by NEOs and Directors

No compensation securities were exercised by NEOs and directors during the financial year ended December 31, 2021.

Option Plans and Other Incentive Plans

See “Options to Purchase Securities” for a summary of the Option Plan.

Employment, Consulting and Management Agreements

Micah Anderson entered into an employment agreement effective June 1, 2019 to serve as the CEO of LEEF, pursuant to which his annual base salary is \$250,000 per annum with eligibility for an annual incentive performance bonus. LEEF also granted him an Option to purchase up to 1 million shares of LEEF's common stock at an exercise price of \$0.81 per share. Mr. Anderson is also entitled to a monthly auto subsidy of \$1,000 for driving throughout California to perform his duties.

Emily Heitman entered into an employment agreement effective June 1, 2019 to serve as an officer of LEEF, pursuant to which her annual base salary is \$225,000 per annum with eligibility for an annual incentive performance bonus. LEEF also granted her an option to purchase up to 500,000 LEEF Shares at an exercise price of \$0.81 per share.

Pension Plan Benefits

LEEF does not have any defined benefit or defined contribution pension plans in place which provide for payments or benefits at, following, or in connection with retirement.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No existing or former director, officer or employee of LEEF is or has within 30 days of the date of the Merger been indebted to LEEF or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or similar agreement provided by LEEF, except for routine indebtedness.

RISK FACTORS

Please refer to "*Financial Risk Management*" in the LEEF Audited Financial Statements for additional risk factors.

Risks Relating to LEEF's Business

Limited Operating History

As LEEF grows its operations in the cannabis industry, there is no guarantee that LEEF's products will be attractive to potential consumers or that the revenues generated from such products will meet LEEF's projections. In addition, LEEF is subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. LEEF has been incurring operating losses since inception. LEEF may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. Furthermore, LEEF expects to continue to increase operating expenses as it implements initiatives to grow its business. There is no assurance that LEEF will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of LEEF's operations.

Competition

There is potential that LEEF will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than LEEF.

Financial Condition, Liquidity, and Requirements Outlook

LEEF's cash balance and working capital position are not adequate to sustain LEEF's existing operations in the long term, though LEEF estimates that it will continue to meet its obligations as they become due in the short term based on current business operations and working capital. If LEEF is unable to continue to raise capital from its operations, capital contributions made by equity investors, and debt issuances or by other means, its cash and working capital position could be affected.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of LEEF's products are recalled due to an alleged product defect or for any other reason, LEEF could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. LEEF may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although LEEF has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of LEEF's significant brands were subject to recall, the image of that brand and LEEF could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for LEEF's products and could have a material adverse effect on the results of operations and financial condition of LEEF. Additionally, product recalls may lead to increased scrutiny of LEEF's operations by the U.S. Food and Drug Administration, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses. Furthermore, any product recall affecting the cannabis industry more broadly could lead consumers to lose confidence in the safety and security of the products sold by cannabis license holders generally, which could have a material adverse effect on LEEF's business, financial condition and results of operations.

Product Liability

LEEF faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of LEEF's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of LEEF's products alone or in combination with other medications or substances could occur. LEEF may be subject to various product liability claims, including, among others, that LEEF's products caused injury or illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against LEEF could result in increased costs, could adversely affect LEEF's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of LEEF. There can be no assurances that LEEF will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of LEEF's potential products.

General Economic and Political Risks

LEEF may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, high rates of inflation or unemployment, consumer trends and spending. Changes in medicine and agricultural development or investment policies or shifts in political attitude in certain countries may adversely affect LEEF's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Internal Controls

Effective internal controls are necessary for LEEF to provide reliable financial reports and to help prevent fraud. Although LEEF has undertaken a number of procedures and implemented a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on LEEF under Canadian securities law, LEEF cannot be certain that such measures will ensure that LEEF will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm LEEF's results of operations or cause it to fail to meet its reporting obligations. If LEEF or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in LEEF's consolidated financial statements.

Operations and Technology

LEEF's business can fluctuate as a result of a variety of factors, many of which are outside of the control of LEEF. If revenues or results of operations do not meet or exceed the expectations of securities analysts or investors, the price of the Common Shares could decline substantially. In addition to the other risk factors set forth in this section, factors that can cause fluctuations in revenues or results of operations include: failure to increase sales to existing customers and attract new customers; failure to accurately estimate or control costs; revenue recognition policies related to timing of contract renewals, delivery of products and duration of contracts and the corresponding timing of revenue recognition; the impact on contract renewal rates caused by customers' budgetary constraints, competition, customer dissatisfaction or customers' actual or perceived lack of need for the products of LEEF; potential loss of significant customers; amount and timing of capital expenditures and operating costs related to the maintenance and expansion of operations and infrastructure; effect of revenues generated from significant one-time projects; timing and success of new product introductions by LEEF or its competitors; variations in the demand for products and the implementation cycles of the product by customers; changes in pricing and discounting policies or those of competitors; maintenance of appropriate staffing levels and capabilities relative to projected growth; adverse judgments or settlements in legal disputes; timing of costs related to the development or acquisition of technologies, services or businesses to support existing customer base and potential growth opportunities; and general economic, industry and market conditions.

Regulatory Risks

Industry standards may not be established and, if they become established, LEEF may not be able to conform to these new standards in a timely fashion or maintain a competitive position in the market. In addition, LEEF may become subject to onerous government regulations affecting the industry, which could adversely affect the business. The laws and regulations applicable to the industries in which LEEF will operate may evolve and could increase the costs of doing business or otherwise affect the business. There

can be no assurance that new legislation will not impose significant additional costs on LEEF's business or subject LEEF to additional liabilities. LEEF may be subject to claims that its operations violate these laws.

Intellectual Property Rights

The loss of, or infringement upon, LEEF's intellectual property rights could harm its business, results of operations and its financial condition. Although LEEF is not aware of violating commercial and other proprietary rights of third parties, there can be no assurance that its products do not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Although no legal disputes in this respect or perceptible detrimental effects on LEEF's business have arisen to date, any such claims and disputes arising may result in liability for substantial damages which in turn could harm LEEF's business, results of operations and financial condition.

Expenses may not align with revenues

Unexpected events may materially impact LEEF's ability to align incurred expenses with recognized revenues. LEEF will incur operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses may be relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, LEEF's business, financial condition, or results of operations could be materially and adversely affected.

Management of Growth

LEE F may be subject to growth-related risks including pressure on its internal systems and controls. LEEF's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems. The inability of LEEF to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, LEEF may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for LEEF's personnel, the hiring of additional personnel and, in general, higher levels of expenses. In order to manage its current operations and any future growth effectively, LEEF will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate and manage its employees. There can be no assurance that LEEF will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support LEEF's operations or that LEEF will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

Conflicts of Interest

Certain of the directors and officers of LEEF will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including technology companies) and, as a result of these and other activities, such directors and officers of LEEF may become subject to conflicts of interest. To the management of LEEF's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between LEEF and a director or officer of LEEF except as otherwise disclosed herein.

Global Financial Developments

Stress in the global financial system may adversely affect LEEF's finances and operations in ways that may be hard to predict or to defend against. Financial developments seemingly unrelated to LEEF or to its industry may adversely affect LEEF over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for LEEF's credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that LEEF identifies an acquisition opportunity or require significant access to credit for other reasons. A reduction in credit, combined with reduced economic activity, may adversely affect business. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on LEEF's business, operating results, and financial condition.

Litigation

LEEF may become involved in litigation that may materially adversely affect LEEF. From time to time in the ordinary course business, LEEF may become involved in various legal proceedings. Such matters can be time-consuming, divert management's attention and resources and cause LEEF to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on Company's business, operating results or financial condition.

LEEF currently has pending legal actions relating to (i) a former employee who was terminated for cause; (ii) its website being inaccessible to blind individuals; and (iii) a judgment enforcement, though no further correspondence has been received.

Disease outbreaks may negatively impact LEEF

A local, regional, national or international outbreak of a contagious disease, including the novel coronavirus COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could cause staff shortages, supply shortages and increased government regulation all of which may negatively impact the business, financial condition and results of operations of LEEF. A pandemic could cause temporary or long-term disruptions in LEEF's operations. "Shelter-in-place" or other such orders by governmental entities could also disrupt LEEF's operations, if employees who cannot perform their responsibilities from home, are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of LEEF's facilities or operations of its partners. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on LEEF's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect LEEF's business, financial condition and results of operations.

Risks Related to the United States Regulatory Regime

Marijuana is illegal under U.S. federal law

The cultivation, manufacture, distribution, and possession of marijuana is illegal under U.S. federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law must be applied. Accordingly, federal law applies even in those states in which the use of

marijuana has been legalized. Enforcement of federal law regarding marijuana would harm LEEF's business, prospects, results of operation, and financial condition.

Under the Controlled Substances Act, 21 U.S.C., §801 et seq. (the "CSA"), it is a felony to manufacture, distribute, dispense or possess with intent to manufacture, distribute or dispense a controlled substance, including marijuana (a Schedule I controlled substance under the CSA); to use a communication facility, which includes the mail, telephone, wire, radio, and all other means of communication, to cause or facilitate a violation of the CSA; and to place an advertisement knowing that the advertisement is intended to offer to sell or buy marijuana, or to use the internet to advertise the sale of marijuana. It is also a federal misdemeanor to knowingly or intentionally possess marijuana and a felony to attempt or conspire to violate the CSA. The CSA does not apply to conduct that takes place entirely outside the United States if the conduct involves cannabis that never reaches, and is never intended to reach, the United States.

Since the possession and use of marijuana and any related paraphernalia is illegal under U.S. federal law, LEEF may be deemed to be aiding and abetting illegal activities. Its subsidiaries plan to manufacture and/or distribute medical and adult-use cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of marijuana and any related paraphernalia, may seek to bring an action or actions against LEEF or its subsidiaries, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the U.S. Department of Justice could allege that LEEF has "aided and abetted" violations of federal law by providing financing and services to its subsidiaries. Under these circumstances, the federal prosecutor could seek to seize the assets of LEEF, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, LEEF's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on LEEF. Violations of federal law could result in significant fines, penalties, administrative sanctions, criminal prosecution, including arrest, pre-trial incarceration, and sentences including monetary fines or incarceration, disgorgement of profits, cessation of business activities or divestiture, and forfeiture of real and personal property. The federal government can seek, (i) civil forfeiture of property involved in or traceable to certain crimes, including money laundering and violations of the CSA; and (ii) prosecution of LEEF's employees, directors, officers, managers and investors for criminal violations of the CSA, federal anti-money laundering laws, or the Travel Act. Even when the government does not bring criminal charges, it may use the threat of an investigation or charges to incentivize civil settlements.

This could have a material adverse effect on LEEF, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity. It is difficult to estimate the time or resources needed to respond to a government investigation or prosecution of such matters without knowing the nature and extent of any information requested by the applicable authorities involved. Such time or resources could be substantial.

There is uncertainty of existing protection from U.S. federal prosecution

Congress adopted a so-called "rider" provision to the fiscal years 2015, 2016, 2017, and 2018 Consolidated Appropriations Acts (formerly referred to as the Rohrabacher-Blumenauer Amendment and now known as the "**Blumenauer-Farr Amendment**") which remains in place and prevents the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical

cannabis actors operating in compliance with state and local law. The Blumenauer-Farr Amendment was included in the fiscal year 2018 budget passed on March 23, 2018 and the consolidated appropriations bill signed into legislation in February 2019. The Blumenauer-Farr Amendment was also included in the consolidated appropriations bill signed into legislation by then-President Trump on December 20, 2019 and remained in effect until September 30, 2020. On October 1, 2020, the Amendment was renewed through the signing of a stopgap spending bill, effective through December 11, 2020. On December 11, 2020, the Blumenauer-Farr Amendment expired, but was included in the 2021 Appropriations Act, HR 133, which then-President Trump signed into law on December 27, 2020. Accordingly, the Blumenauer-Farr Amendment protections are part of the 2021 Appropriations Act through September 30, 2022, barring any additional Congressional action. There can be no assurances that the Blumenauer-Farr Amendment will be included in future appropriations bills or budget resolutions.

It is unclear what impact, if any, Merrick Garland, the current Attorney General under the current Biden administration, will have on U.S. Federal government enforcement policy on cannabis. Despite there having not been any formal pronouncement of a change in the federal government's policies, in April 2022, U.S. Attorney General Merrick Garland testified to a Senate Appropriations subcommittee, reiterating that the U.S. Department of Justice would not prioritize prosecuting marijuana use. General Garland stated that prosecuting the possession of marijuana was "not an efficient use" of federal resources." However, if the U.S. Federal government begins to enforce U.S. Federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, LEEF's business, results of operations, financial condition and prospects would be materially adversely affected. For example, if the U.S. Department of Justice's policy shifts to aggressively pursue financiers or equity owners of cannabis-related business, and U.S. district attorneys followed such policies through pursuing prosecutions, then LEEF could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Actions by governmental authorities against any individual or entity engaged in the cannabis industry, or a substantial repeal or amendment of any cannabis-related legislation, could therefore adversely affect LEEF and its subsidiaries.

LEEF's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of significant risks associated with the business of LEEF. Unless and until the U.S. Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any potential amendments, there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. Federal law, and the business of LEEF may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of U.S. Federal law.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, on February 8, 2018, the Canadian Securities Administrators published CSA Staff Notice 51-352 – (Revised) Issuers with U.S. Marijuana-Related Activities ("**Staff Notice 51-352**") setting out the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with United States cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. For these reasons, LEEF's operations in the U.S. cannabis market may subject LEEF to heightened scrutiny by regulators, stock exchanges, clearing

agencies and other U.S. and Canadian authorities. There are significant risks associated with the business of LEEF.

Marijuana is strictly regulated in those states which have legalized it for medical or recreational use

U.S. states and territories that have medical and/or adult-use markets impose substantial regulatory and licensing burdens on marijuana businesses. The legal and regulatory framework applicable to cannabis businesses is different in each state and territory. Obtaining a license or permit to grow, distribute, or dispense marijuana can be a difficult, costly, and lengthy process. Violations of a state's legal and regulatory framework can result in revocation of licenses, civil penalties, and other punishments. No assurance can be given that LEEF will receive the requisite licenses, permits, or cards to operate its businesses.

Local laws and ordinances could restrict LEEF's business activity. Local governments may have the ability to limit or ban cannabis businesses from operating within their jurisdiction, or impose requirements in addition to those imposed by state law. Land use, zoning, local ordinances, and similar laws could be adopted or changed, which may have a material adverse effect on LEEF's business.

LEEF is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. Other states may be in the process of reviewing such additional fees and taxation, or may impose them in the future. This could have a material adverse effect upon LEEF's business, results of operations, financial condition, or prospects.

Newly established legal regime

LEEF's business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect LEEF's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of LEEF, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Restricted access to banking

LEEF may have limited or no access to banking or other financial services in the United States. Federal anti-money laundering statutes and regulations discourage financial institutions from working with marijuana businesses, regardless of whether marijuana is legal in the state in which the financial institution or its customers are located. The inability or limitation in LEEF's ability to open or maintain bank accounts, obtain other banking services, or accept credit card and debit card payments may make it difficult for LEEF to operate and conduct its business as planned or to operate efficiently.

Federally chartered financial institutions are subject to federal regulation, including oversight by the FinCEN bureau of the U.S. Treasury Department. Because marijuana is illegal under federal law, financial institutions may subject themselves to federal civil or criminal liability for banking the proceeds of

marijuana businesses, and there are relatively few financial institutions who provide banking services to marijuana businesses.

The FinCEN Guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the U.S. Department of Justice, FinCen or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time.

Financial institutions which do provide financial services to marijuana businesses may charge increased fees to or impose additional requirements on marijuana businesses. Some financial institutions refuse to process debit or credit card payments to marijuana businesses. Financial institutions which do process such transactions may also charge fees higher than those imposed on other businesses. LEEF may experience increased costs, or decreased profits, as a result of its inability to accept debit or credit card payments, or as a result of increased fees it pays to the financial institutions processing such transactions.

Further, because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Participating in transactions involving proceeds derived from cannabis may constitute criminal money laundering. It is a federal crime to engage in certain transactions involving the proceeds of “Specified Unlawful Activities” (“SUA”) when those transactions are designed to promote an underlying SUA, or conceal the source of the funds. Violations of the CSA and violations of a foreign state’s laws are both SUA. It is a federal crime in the United States to engage in an international transaction into or out of the United States if the transaction is intended to promote an SUA, irrespective of the source of the funds. It is a federal crime to engage in a transaction in property worth greater \$10,000 knowing that the property is derived from a SUA. In the event that any of LEEF’s investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of anti-money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes of the United States or any other applicable legislation. This could restrict or otherwise jeopardize the ability of LEEF to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada and other foreign jurisdictions from the United States.

Heightened scrutiny by Canadian and U.S. regulatory authorities

LEEF’s existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, LEEF may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on LEEF’s ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein. On February 8, 2018, following discussions with the Canadian Securities

Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (“**MOU**”) with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV.¹ The MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS Clearing and Depository Services Inc. (“**CDS**”) as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, common shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the common shares through the facilities of the applicable stock exchange.

Constraints on developing and marketing products

The development of LEEF’s business and operating results may be hindered by applicable restrictions on development, sales and marketing activities imposed by government regulatory bodies. The legal and regulatory environment in the United States limits LEEF’s ability to compete for market share in a manner similar to other industries. LEEF cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on LEEF’s business, results of operation and financial condition.

If LEEF is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, LEEF’s sales and operating results could be adversely affected.

Unfavourable tax treatment of cannabis businesses

Under Section 280E of the United States Internal Revenue Code of 1986 as amended (“**Section 280E**”), “no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.” This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Although the U.S. Internal Revenue Service issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants, and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation, processing, production and packaging operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Risk of civil asset forfeiture

United States federal law enforcement officials are empowered to seize property they allege has been involved in certain criminal activity. Because marijuana remains illegal under U.S. federal law, property owned by marijuana businesses could be subject to seizure and subsequent civil asset forfeiture by law

enforcement, whether or not the owner is charged with a crime. Property can be seized and forfeited through criminal, civil, and administrative proceedings. Property owners seeking the return of their property must establish that the property was not involved in criminal activity, which can be a substantial burden.

Proceeds of crime statutes

LEEF is subject to a variety of laws and regulations domestically and in the United States relating to money laundering, financial recordkeeping, and proceeds of crime, including the BSA, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. In the event that any of LEEF's license agreements in the United States are found to be illegal, proceeds of those licensing transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to LEEF and, among other things, could restrict or otherwise jeopardize the ability of LEEF to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Limited intellectual property protection

LEEF's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent LEEF is able to do so, to protect any proprietary rights of LEEF, LEEF intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, there may be occurrences or impediments that may reduce the value of any of LEEF's intellectual property, including the following:

1. LEEF will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, LEEF likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.
2. Patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products and as a result LEEF may have to rely on goodwill associated with its trademarks, trade names and proprietary cannabis strains.
3. LEEF may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to LEEF, could subject LEEF to significant liabilities and other costs.

LEEF's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. LEEF cannot assure that third parties will not assert intellectual property claims against it. LEEF is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against LEEF, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of

management personnel. An adverse determination in any such litigation or proceedings to which LEEF may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject LEEF to injunctions prohibiting the development and operation of its applications.

Lack of access to U.S. bankruptcy protections

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If LEEF were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to LEEF, which would have a material adverse effect.

Potential FDA regulation

Should the federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If LEEF is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on LEEF's business, operating results and financial condition.

Legality of contracts

LEEF's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, LEEF may face difficulties in enforcing its contracts in U.S. federal and certain state courts. The inability to enforce any of LEEF's contracts could have a material adverse effect on its business, operating results, financial condition, or prospects.

PROMOTERS

Micah Anderson may be considered a "promoter" of LEEF for the purposes of applicable securities laws as he has taken the initiative in founding, organizing and substantially reorganizing the business of LEEF. See "*Directors and Executive Officers*" for additional information regarding Mr. Anderson.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

LEEF is not, and was not during the most recently completed financial year, engaged in any legal proceedings and none of its property is or was during that period the subject of any legal proceedings. LEEF does not know of any such legal proceedings which are contemplated.

Regulatory Actions

During the most recently completed financial year and during the current financial year, LEEF is not and has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Report, no person that is: (i) a director, officer or promoter of LEEF; (ii) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of LEEF's outstanding voting securities; or (iii) an associate or affiliate of any of the persons or companies referred to in paragraphs (i) or (ii), has had any material interest, direct or indirect, in any transaction within the three years that has materially affected or is reasonably expected to materially affect LEEF.

MATERIAL CONTRACTS

There are no contracts of LEEF entered into since the beginning of the last financial year ending before the date hereof, or before the beginning of the last financial year ending before the date hereof that is still in effect that are material to LEEF other than the Merger Agreement.

Schedule A

**Management's Discussion and Analysis of Financial Results for LEEF
for years ended December 31, 2021 and 2020**

[See Attached]

LEEF HOLDINGS, INC.

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2021 AND 2020**

(Expressed in United States Dollars)

Set out below is a review of the activities, results of operations and financial condition of LEEF Holdings, Inc. (the "Company") for the twelve months ended December 31, 2021 and 2020. The discussion below should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in United States ("US") dollars unless otherwise indicated. This MD&A has been prepared as at October 4th, 2022.

1. BACKGROUND

LEEF Holdings, Inc. (formerly LEEF Holdings, LLC.) ("LEEF" or "The Company") was incorporated under the laws of the State of Nevada on January 28, 2019. The Company operates in the regulated California cannabis industry and is primarily focused on manufacturing and distribution of cannabis products via multiple extraction methods. The Company also operates a Cannabidiol ("CBD") Wellness product line, LEEF Organics as well as a CBD pet product line, Paleo Paw. Both LEEF Organics and Paleo Paw are sold across the United States. The head office and principal office of the Company is 5666 La Jolla Boulevard, Suite 270, La Jolla, California 92037.

Reverse recapitalization

On April 20, 2022, Icanic Brands Company Inc. acquired all the common stock of LEEF Holdings, Inc. ("LEEF"). LEEF is a leading cannabis extraction company located in the state of California and provides bulk concentrate to cannabis brands in the state of California. LEEF's manufacturing capabilities in a 12,000 square foot extraction and manufacturing facility with significant throughput and distillate extraction capability. Core manufacturing competencies include ethanol extraction (Type 6 manufacturing license), hydrocarbon extraction (Type 7 manufacturing license), and solventless extraction. LEEF received a 186.7 acre cultivation land use permit, which will result in owning one of the largest cannabis cultivation site in the state of California. See details on the transaction included in the "*Company Highlights - During the six months ended June 30, 2022, and subsequent*" discussed below.

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

Non-GAAP Financial Measures

In addition to providing financial measurements based on GAAP, the Company provides additional financial metrics that are not defined under, prepared in accordance with or a standardized financial measure under GAAP and may not be comparable to similar financial measures disclosed by other issuers. Management uses such non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-GAAP financial measures (collectively, the "non-GAAP financial measures") are:

EBITDA Net Loss (GAAP) adjusted for interest and financing costs, income taxes, depreciation, and amortization.

Adjusted EBITDA (Non-GAAP) adjusted for share-based compensation, stock appreciation rights expense, loss (income) on equity method investments, change in fair value of derivative liabilities, change in fair value of contingent liabilities, acquisition-related professional fees, non-operational start-up costs and loss on disposition of subsidiary. Non-operational start-up costs are set-up costs to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations.

Management believes that these non-GAAP financial measures assess the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-GAAP financial measures may also exclude certain material non-cash items, expenses and gains and other adjustments that may be unusual in nature, infrequent or that the Company believes are not reflective of the Company's ongoing operating results and performance.

As there are no standardized methods of calculating these non-GAAP financial measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others in the cannabis industry or otherwise. Accordingly, these non-GAAP financial measures are intended to provide additional information and are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. Such non-GAAP financial measures should only be considered in conjunction with the GAAP financial measures presented herein.

These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. In addition, the Company believes investors use both GAAP and non-GAAP measures to assess management's past and future decisions associated with its priorities and allocation of capital, as well as to analyze how the business operates in, or responds to, swings in economic cycles or to other events that impact the cannabis industry.

These non-GAAP financial measures have important limitations as analytical tools and should not be considered in isolation or as a substitute for any standardized measure under GAAP. For example, certain of these non-GAAP financial measures:

- exclude certain tax payments that may reduce cash available to the Company;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on debt.

Other companies in the cannabis industry may calculate these measures differently than the Company does, limiting their usefulness as comparative measures.

Adjusted EBITDA (non-GAAP) (Unaudited)

The following table provides a reconciliation of the Company's net loss to Adjusted EBITDA (non-GAAP) for the twelve months ended December 31, 2021 compared to the twelve months ended December 31, 2020:

	Twelve Months Ended	
	December 31, 2021	December 31, 2020
	<i>(audited)</i>	<i>(audited)</i>
Net Loss (GAAP)	\$ (7,326,387)	\$ (8,366,098)
Depreciation and amortization	1,501,827	1,357,466
Interest expense	3,977,187	3,894,151
Income tax expense	1,680,798	1,365,495
EBITDA (non-GAAP)	<u>(166,575)</u>	<u>(1,748,986)</u>
Adjustments:		
Share-based compensation	1,165,983	1,800,439
Loss on disposal of asset	145,171	34,264
Loss on conversion and modifications of convertible debentures	-	1,530,821
Change in fair value of derivative liability	(215,291)	(375,228)
Forgiveness of notes payable	(611,429)	-
Adjusted EBITDA (non-GAAP)	<u>\$ 317,859</u>	<u>\$ 1,241,310</u>

Adjusted EBITDA, a non-GAAP financial measure was \$0.3 million for the twelve months ended December 31, 2021 compared to \$1.2 million for the twelve months ended December 31, 2020. The unfavorable change in adjusted EBITDA of \$0.9 million is primarily due to increased operating expenses.

2. COMPANY HIGHLIGHTS

COVID-19 pandemic

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

During the twelve months ended December 31, 2021, and subsequent:

Reverse Recapitalization

On April 20, 2022, Icanic Brands Company Inc. 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.

2. COMPANY HIGHLIGHTS (Continued)

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.

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.

Operational update

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.

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.

SELECTED FINANCIAL INFORMATION

A summary of selected financial information for the three and twelve months ended December 31, 2021 and 2020 is as follows, as expressed in United States dollars, and in accordance with IFRS:

	Twelve Months Ended	
	December 31, 2021	December 31, 2020
Net revenue	\$ 33,457,025	\$ 33,370,853
Gross profit	\$ 8,414,311	\$ 7,673,200
Loss from operations	\$ (2,753,710)	\$ (2,062,096)
Total other expenses	\$ 3,295,638	\$ 5,084,008
Net loss and comprehensive loss	\$ (7,730,146)	\$ (8,511,599)
Net loss and comprehensive loss attributable to non-controlling interest	\$ (403,759)	\$ (145,501)
Net loss and comprehensive loss attributable to shareholders of LEEF Holdings, Inc.	\$ (7,326,387)	\$ (8,366,098)
Basic and diluted loss per share attributable to shareholders of LEEF Holdings, Inc.	\$ (0.13)	\$ (0.16)

During the twelve months ended December 31, 2021, revenues increased by \$86,172 or 0.26%. This is primarily due to sales compression in the California market as well as the Company's shift to focusing on CPG branded products. In the same period, gross profit increased \$741,111 or 9.66%. This is primarily due to the Company's strong supply chain management, and manufacturing efficiencies which have resulted in increased yields.

3. RESULTS OF OPERATIONS

3.1 *Results of operations for the twelve months ended December 31, 2021:*

Revenue

Revenue for the twelve months ended December 31, 2021 was \$33,457,025, a increase of \$86,172, or 0.26%, as compared to \$33,370,853 for the twelve months ended December 31, 2020. This is primarily due to sales compression in the California market as well as the Company's shift to focusing on CPG branded products.

Cost of sales and gross profit

Cost of sales for the twelve months ended December 31, 2021 was \$25,042,714, a decrease of \$654,939, or 2.55% as compared to \$25,697,653 for the twelve months ended December 31, 2020. Gross profit for the twelve months ended December 31, 2021 was \$8,414,311, representing a gross margin of 25.1%, compared with a gross profit of \$7,673,200, representing a gross margin of 23.0% for the twelve months ended December 31, 2020. The increase is primarily due to the Company's strong supply chain management, and manufacturing efficiencies which have resulted in increased yields.

Total operating expenses

Total operating expenses for the twelve months ended December 31, 2021 was \$11,168,021, and increase of \$1,432,725, or 14.72%, compared to total operating expenses of \$9,735,296 for the twelve months ended December 31, 2020. The increase in total operating expenses was primarily attributable to increased operating costs related to office and general expenses (\$429,900), legal and professional fees (\$441,313) and research and development expenses (\$226,412).

3. RESULTS OF OPERATIONS (Continued)

Legal and professional fees for the twelve months ended December 31, 2021 and 2020 was \$1,038,378 and \$597,065, respectively, an increase of \$441,313, or 73.91%. The increase in legal and professional fees is primarily attributable to the LEEF acquisition, which was completed on April 20, 2022, and other acquisition related fees.

Net loss and comprehensive loss

Net loss and comprehensive loss for the twelve months ended December 31, 2021 and 2020 was \$7,730,146 and \$8,511,599, respectively, an decrease of \$781,453, or 9.18%. The decrease in net loss and comprehensive net loss was primarily due to the change in total other expenses, specifically the forgiveness of notes payable in 2021 (\$611,429).

3.3 Cash flows for the twelve months ended December 31, 2022

Cash flow from operating activities

Cash provided in operating activities for the twelve months ended December 31, 2021 was \$498,166 as compared to used cash of \$4,366,118 in the comparative period.

Cash flow from investing activities

Cash used from investing activities for the twelve months ended December 31, 2021 was \$898,354 as compared to used cash of \$1,173,099 in the comparative period.

Cash flow from financing activities

Cash provided from financing activities for the twelve months ended December 31, 2021 was \$6,793,708 as compared to cash provided of \$5,647,603 in the comparative period. Proceeds from private placement, net of share issuance cost completed during the year was \$2,503,004 compared to \$5,230,000 in the comparative period.

3. RESULTS OF OPERATIONS (Continued)

3.4 Revenue and cost of sales analysis

During the twelve months ended December 31, 2022 and 2021, revenue and cost of sales was as follows:

	Twelve Months Ended	
	December 31, 2021	December 31, 2020
Net revenue	\$ 33,457,025	\$ 33,370,853
Cost of sales	\$ 25,042,714	\$ 25,697,653
Gross profit	\$ 8,414,311	\$ 7,673,200
Gross margin rate	25.1%	23.0%

- The Company is a cannabis branded products manufacturer based in California. The Company utilizes its distribution channels to facilitate significant revenue growth.
- Cost of sales include all expenditure related to the products which include ingredients and manufacturing costs used in the production and sale of cannabis and related derivatives.
- Net revenue during the twelve months ended December 31, 2022 and 2021 was \$33,457,025 and \$33,370,853, respectively, an increase of \$86,172, or 0.26%.
- The gross margin rate for the twelve months ended December 31, 2022 and 2021 was 25.1% and 23%, respectively. The increase is primarily due to the Company's strong supply chain management, and manufacturing efficiencies which have resulted in increased yields.

4. LIQUIDITY AND CAPITAL RESOURCES

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 at December 31, 2022, the Company had negative working capital of \$6,524,094 and had a cash balance of \$7,513,371. The 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" in the condensed interim consolidated financial statements for the six months ended June 30, 2022 and 2021 for further information.

4. LIQUIDITY AND CAPITAL RESOURCES (Continued)

As of the date of this MD&A, the Company has entered into a Restructuring Support Agreement with certain holders of the 2019 Secured Convertible Debentures and receiving financing of approximately \$2,000,000. Upon completion of the recapitalization transaction, the Company's outstanding indebtedness will be reduced in addition to lower annual interest expense related to the debt.

5. OFF BALANCE SHEET ARRANGEMENTS

As of December 31, 2022, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, or any obligations that trigger financing, liquidity, market or credit risk to the Company.

6. 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 December 31, 2022, the Company recognized approximately \$492,000, and \$640,438, in compensation and stock-based compensation, respectively, provided to key management.

Related Party Balances

For the six months ended December 31, 2022, the Company had accrued approximately \$1,242,000 of expenses to a farming company that is owned by a member of management and shareholder with approximately \$320,000, unpaid as of December 31, 2022.

7. CRITICAL ACCOUNTING ESTIMATES

Significant accounting judgments and estimates

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

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 reevaluates the classification of financial instruments. Upon the change in the parent Company's functional currency during the year, the financing warrants, which were initially classified as a derivative liability on the 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.

7. CRITICAL ACCOUNTING ESTIMATES (Continued)

Valuation of share-based payments

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

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.

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.

7. CRITICAL ACCOUNTING ESTIMATES (Continued)

Leases

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

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

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.

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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial Risk Management Objectives and Policies

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

Financial Risks

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

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. Credit risk associated with cash and receivables arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship. The Company is currently exposed to moderate credit risk associated with its trade receivable.

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.

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.

Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at December 30, 2021, the Company has a negative working capital of \$6,524,094 due to the classification of the debenture that will come due in June 2022. The Company may require additional financing to meet its short term obligations.

9. OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	55,410,115
Stock options	10,903,033
Warrants	7,719,732

10. RISK FACTORS

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline, and prospective investors may lose part or all of their investment.

Risks Related to the United States Regulatory Regime

Marijuana is illegal under U.S. federal law

The cultivation, manufacture, distribution, and possession of marijuana is illegal under U.S. federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law must be applied. Accordingly, federal law applies even in those states in which the use of marijuana has been legalized. Enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

10. RISK FACTORS (CONTINUED)

Under the Controlled Substances Act, 21 U.S.C., § 801 et seq. (the “CSA”), it is a felony to manufacture, distribute, dispense or possess with intent to manufacture, distribute or dispense a controlled substance, including marijuana (a Schedule I controlled substance under the CSA); to use a communication facility, which includes the mail, telephone, wire, radio, and all other means of communication, to cause or facilitate a violation of the CSA; and to place an advertisement knowing that the advertisement is intended to offer to sell or buy marijuana, or to use the internet to advertise the sale of marijuana. It is also a federal misdemeanor to knowingly or intentionally possess marijuana and a felony to attempt or conspire to violate the CSA. The CSA does not apply to conduct that takes place entirely outside the United States if the conduct involves cannabis that never reaches, and is never intended to reach, the United States.

Since the possession and use of marijuana and any related paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities. Its subsidiaries plan to manufacture and/or distribute medical and adult-use cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of marijuana and any related paraphernalia, may seek to bring an action or actions against the Company or its subsidiaries, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another’s criminal activities. The U.S. federal aiding and abetting statute provides that anyone who “commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.” As a result, the U.S. Department of Justice could allege that the Company has “aided and abetted” violations of federal law by providing financing and services to its subsidiaries.

Under these circumstances, the federal prosecutor could seek to seize the assets of the Company, and to recover the “illicit profits” previously distributed to shareholders resulting from any of the foregoing. In these circumstances, the Company’s operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on the Company. Violations of federal law could result in significant fines, penalties, administrative sanctions, criminal prosecution, including arrest, pre-trial incarceration, and sentences including monetary fines or incarceration, disgorgement of profits, cessation of business activities or divestiture, and forfeiture of real and personal property. The federal government can seek, (i) civil forfeiture of property involved in or traceable to certain crimes, including money laundering and violations of the CSA; and (ii) prosecution of the Company’s employees, directors, officers, managers and investors for criminal violations of the CSA, federal anti-money laundering laws, or the Travel Act. Even when the government does not bring criminal charges, it may use the threat of an investigation or charges to incentivize civil settlements.

This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded Common Shares. It is difficult to estimate the time or resources needed to respond to a government investigation or prosecution of such matters without knowing the nature and extent of any information requested by the applicable authorities involved. Such time or resources could be substantial.

Marijuana is strictly regulated in those states which have legalized it for medical or recreational use

U.S. states and territories that have medical and/or adult-use markets impose substantial regulatory and licensing burdens on marijuana businesses. The legal and regulatory framework applicable to cannabis businesses is different in each state and territory. Obtaining a license or permit to grow, distribute, or dispense marijuana can be a difficult, costly, and lengthy process. Violations of a state’s legal and regulatory framework can result in revocation of licenses, civil penalties, and other punishments. No assurance can be given that the Company will receive the requisite licenses, permits, or cards to operate its businesses.

10. RISK FACTORS (CONTINUED)

Local laws and ordinances could restrict the Company's business activity. Local governments may have the ability to limit or ban cannabis businesses from operating within their jurisdiction or impose requirements in addition to those imposed by state law. Land use, zoning, local ordinances, and similar laws could be adopted or changed, which may have a material adverse effect on the Company's business.

The Company currently operates only in the State of California but may consider opportunities in other jurisdictions as deemed appropriate by management. The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. Other states may be in the process of reviewing such additional fees and taxation or may impose them in the future. This could have a material adverse effect upon the Company's business, results of operations, financial condition, or prospects.

Newly established legal regime

The Company business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Restricted access to banking

The Company may have limited or no access to banking or other financial services in the United States. Federal anti-money laundering statutes and regulations discourage financial institutions from working with marijuana businesses, regardless of whether marijuana is legal in the state in which the financial institution or its customers are located. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services, or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Federally chartered financial institutions are subject to federal regulation, including oversight by the FinCEN bureau of the U.S. Treasury Department. Because marijuana is illegal under federal law, financial institutions may subject themselves to federal civil or criminal liability for banking the proceeds of marijuana businesses, and there are relatively few financial institutions who provide banking services to marijuana businesses.

The FinCEN Guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the U.S. Department of Justice, FinCen or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time.

10. RISK FACTORS (CONTINUED)

Financial institutions which do provide financial services to marijuana businesses may charge increased fees to or impose additional requirements on marijuana businesses. Some financial institutions refuse to process debit or credit card payments to marijuana businesses. Financial institutions which do process such transactions may also charge fees higher than those imposed on other businesses. The Company may experience increased costs, or decreased profits, as a result of its inability to accept debit or credit card payments, or as a result of increased fees it pays to the financial institutions processing such transactions.

Further, because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Participating in transactions involving proceeds derived from cannabis may constitute criminal money laundering. It is a federal crime to engage in certain transactions involving the proceeds of "Specified Unlawful Activities" ("SUA") when those transactions are designed to promote an underlying SUA, or conceal the source of the funds. Violations of the CSA and violations of a foreign state's laws are both SUA. It is a federal crime in the United States to engage in an international transaction into or out of the United States if the transaction is intended to promote an SUA, irrespective of the source of the funds. It is a federal crime to engage in a transaction in property worth greater \$10,000 knowing that the property is derived from a SUA. In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of anti-money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes of the United States or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada and other foreign jurisdictions from the United States.

10. RISK FACTORS (CONTINUED)

Heightened scrutiny by Canadian and U.S. regulatory authorities

The Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the "MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV.¹ The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS Clearing and Depository Services Inc. ("CDS") as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, common shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the common shares through the facilities of the applicable stock exchange.

Foreign investors in Icanic Brands Company Inc. and its directors, officers, and employees may be subject to entry bans into the United States

It is a federal crime to engage in interstate or foreign travel or commerce with the intent to distribute the proceeds of or promote a SUA. News media have reported that United States immigration authorities have increased scrutiny of people who are crossing the United States-Canada border with respect to persons involved in cannabis businesses in the United States.

10. RISK FACTORS (CONTINUED)

Those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-US citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the United States. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in the United States. States where it is deemed legal or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal Canadian cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible. Accordingly, the Company's directors, officers or employees traveling to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to the Company's directors, officers or employees, then this may reduce the Company's ability to manage its business effectively in the United States.

Constraints on developing and marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on development, sales and marketing activities imposed by government regulatory bodies. The legal and regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operation and financial condition.

If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

10. RISK FACTORS (CONTINUED)

Unfavorable tax treatment of cannabis businesses

Under Section 280E of the United States Internal Revenue Code of 1986 as amended (“Section 280E”), “no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any state in which such trade or business is conducted”. This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Although the U.S. Internal Revenue Service issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants, and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation, processing, production and packaging operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Risk of civil asset forfeiture

United States federal law enforcement officials are empowered to seize property they allege has been involved in certain criminal activity. Because marijuana remains illegal under U.S. federal law, property owned by marijuana businesses could be subject to seizure and subsequent civil asset forfeiture by law enforcement, whether or not the owner is charged with a crime. Property can be seized and forfeited through criminal, civil, and administrative proceedings. Property owners seeking the return of their property must establish that the property was not involved in criminal activity, which can be a substantial burden.

Proceeds of crime statutes

The Company is subject to a variety of laws and regulations in Canada and in the United States relating to money laundering, financial recordkeeping, and proceeds of crime, including the BSA, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. In the event that any of the Company’s license agreements in the United States are found to be illegal, proceeds of those licensing transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

10. RISK FACTORS (CONTINUED)

Limited intellectual property protection

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, there may be occurrences or impediments that may reduce the value of any of the Company's intellectual property, including the following:

1. the Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.
2. Patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products and as a result the Company may have to rely on goodwill associated with its trademarks, trade names and proprietary cannabis strains.
3. the Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs.

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

Lack of access to U.S. bankruptcy protections

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than the Company.

10. RISK FACTORS (CONTINUED)

Potential FDA regulation

Should the federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

Legality of contracts

The Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts. The inability to enforce any of the Company's contracts could have a material adverse effect on its business, operating results, financial condition, or prospects.

Risks Related to Icanic Brands Company Inc.

Limited operating history

There is no guarantee that the Company's products will be attractive to potential consumers or that the revenues generated from such products will meet the Company's projections. In addition, the Company is subject to all of the business risks and uncertainties associated with any early- stage enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. The Company has been incurring operating losses. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. Furthermore, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of the Company's operations.

Financial condition, liquidity, and requirements outlook

The Company's cash balance and working capital position are not adequate to sustain the Company's existing operations. If the Company is unable to continue to raise capital from issuances of shares, loans or by other means, its cash and working capital position could be affected.

10. RISK FACTORS (CONTINUED)

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the U.S. Food and Drug Administration, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses. Furthermore, any product recall affecting the cannabis industry more broadly could lead consumers to lose confidence in the safety and security of the products sold by Cannabis license holders generally, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Product liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all.

The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

10. RISK FACTORS (CONTINUED)

General economic and political risks

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, high rates of inflation or unemployment, consumer trends and spending. Changes in medicine and agricultural development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures and implemented a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of common shares.

11. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Forward looking statements include, but are not limited to: statements concerning the completion of, and matters relating to, the various proposed transactions discussed by the Company herein and the expected timing related thereto; the expected operations, financial results and condition of the Company; general economic trends; expectations of market size and growth in the United States and the States the Company operates; additional funding requirements; the Company's future objectives and strategies to achieve those objectives; the Company's estimated cash flow and capitalization and adequacy thereof; and other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

11. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION (Continued)

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond the Company's ability to predict or control. Factors that could cause such differences include, but are not limited to: cannabis is a controlled substance under applicable legislation; the enforcement of cannabis laws could change; differing regulatory requirements across State jurisdictions may hinder economies of scale; legal, regulatory or other political change; the unpredictable nature of the cannabis industry; regulatory scrutiny; the impact of regulatory scrutiny on the ability to raise capital; anti-money laundering laws and regulations; any reclassification of cannabis or changes in U.S. controlled substances and regulations; restrictions on the availability of favorable locations; enforceability of contracts; general regulatory and licensing risks; California regulatory regime and transfer and grant of licenses; limitations on ownership of licenses; regulatory action from the Food and Drug Administration; competition; ability to attract and retain customers; unfavorable publicity or consumer perception; limited market data and difficulty to forecast; constraints on marketing products; execution of the Company's business strategy; reliance on management; ability to establish and maintain effective internal control over financial reporting; competition from synthetic production and technological advances; fraudulent or illegal activity by employees, contractors and consultants; product liability and recalls; risks related to product development and identifying markets for sale; dependence on suppliers, manufacturers, and contractors; reliance on inputs; reliance on equipment and skilled labor; service providers; litigation and any unexpected outcomes thereof; intellectual property risks; information technology systems, cyber-attacks, security, and privacy breaches; bonding and insurance coverage; transportation; energy costs; risks inherent in an agricultural business; management of growth; risks of leverage; future acquisitions or dispositions; difficulty attracting and retaining personnel; and past performance not being indicative of future results.

Readers are cautioned that the factors outlined herein are not an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether because of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Schedule B

**Management's Discussion and Analysis of Financial Results for LEEF
for the three months ended March 31, 2022**

[See Attached]

LEEF HOLDINGS, INC.

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
MARCH 31, 2022 AND 2021**

(Expressed in United States Dollars)

*Set out below is a review of the activities, results of operations and financial condition of LEEF Holdings, Inc. (the "Company") for the Three months ended March 31, 2022 and 2021. The discussion below should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2022 and 2021. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in United States ("US") dollars unless otherwise indicated. This MD&A has been prepared as at **October 4th, 2022.***

1. BACKGROUND

LEEF Holdings, Inc. (formerly LEEF Holdings, LLC.) ("LEEF" or "The Company") was incorporated under the laws of the State of Nevada on January 28, 2019. The Company operates in the regulated California cannabis industry and is primarily focused on manufacturing and distribution of cannabis products via multiple extraction methods. The Company also operates a Cannabidiol ("CBD") Wellness product line, LEEF Organics as well as a CBD pet product line, Paleo Paw. Both LEEF Organics and Paleo Paw are sold across the United States. The head office and principal office of the Company is 5666 La Jolla Boulevard, Suite 270, La Jolla, California 92037.

Reverse recapitalization

On April 20, 2022, Icanic Brands Company Inc. acquired all the common stock of LEEF Holdings, Inc. ("LEEF"). LEEF is a leading cannabis extraction company located in the state of California and provides bulk concentrate to cannabis brands in the state of California. LEEF's manufacturing capabilities in a 12,000 square foot extraction and manufacturing facility with significant throughput and distillate extraction capability. Core manufacturing competencies include ethanol extraction (Type 6 manufacturing license), hydrocarbon extraction (Type 7 manufacturing license), and solventless extraction. LEEF received a 186.7 acre cultivation land use permit, which will result in owning one of the largest cannabis cultivation site in the state of California. See details on the transaction included in the "*Company Highlights - During the six months ended June 30, 2022, and subsequent*" discussed below.

As at March 31, 2022, under IAS 36 – Impairment, the Company did not identify impairment indicators.

Non-GAAP Financial Measures

In addition to providing financial measurements based on GAAP, the Company provides additional financial metrics that are not defined under, prepared in accordance with or a standardized financial measure under GAAP and may not be comparable to similar financial measures disclosed by other issuers. Management uses such non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-GAAP financial measures (collectively, the "non-GAAP financial measures") are:

EBITDA Net Loss (GAAP) adjusted for interest and financing costs, income taxes, depreciation, and amortization.

Adjusted EBITDA (Non-GAAP) adjusted for share-based compensation, stock appreciation rights expense, loss (income) on equity method investments, change in fair value of derivative liabilities, change in fair value of contingent liabilities, acquisition-related professional fees, non-operational start-up costs and loss on disposition of subsidiary. Non-operational start-up costs are set-up costs to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations.

Management believes that these non-GAAP financial measures assess the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-GAAP financial measures may also exclude certain material non-cash items, expenses and gains and other adjustments that may be unusual in nature, infrequent or that the Company believes are not reflective of the Company's ongoing operating results and performance.

As there are no standardized methods of calculating these non-GAAP financial measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others in the cannabis industry or otherwise. Accordingly, these non-GAAP financial measures are intended to provide additional information and are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. Such non-GAAP financial measures should only be considered in conjunction with the GAAP financial measures presented herein.

These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. In addition, the Company believes investors use both GAAP and non-GAAP measures to assess management's past and future decisions associated with its priorities and allocation of capital, as well as to analyze how the business operates in, or responds to, swings in economic cycles or to other events that impact the cannabis industry.

These non-GAAP financial measures have important limitations as analytical tools and should not be considered in isolation or as a substitute for any standardized measure under GAAP. For example, certain of these non-GAAP financial measures:

- exclude certain tax payments that may reduce cash available to the Company;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on debt.

Other companies in the cannabis industry may calculate these measures differently than the Company does, limiting their usefulness as comparative measures.

Adjusted EBITDA (non-GAAP) (Unaudited)

The following table provides a reconciliation of the Company's net loss to Adjusted EBITDA (non-GAAP) for the Three months ended March 31, 2022 compared to the Three months ended March 31, 2021:

	Three Months Ended	
	March 31, 2022	March 31, 2021
	<i>(audited)</i>	<i>(audited)</i>
Net Loss (GAAP)	\$ 189,768	\$ (569,913)
Depreciation and amortization	319,498	466,364
Interest expense	417,067	471,384
Income tax expense	649,675	463,341
EBITDA (non-GAAP)	<u>1,576,008</u>	<u>831,176</u>
Adjustments:		
Share-based compensation	400,089	-
Adjusted EBITDA (non-GAAP)	<u>\$ 1,976,097</u>	<u>\$ 831,176</u>

Adjusted EBITDA, a non-GAAP financial measure was \$2.0 million for the Three months ended March 31, 2022 compared to \$0.8 million for the Three months ended March 31, 2021. The favorable change in adjusted EBITDA of \$1.1 million is primarily due to increased gross margins and reduced operating expenses in the quarter.

2. COMPANY HIGHLIGHTS

COVID-19 pandemic

In March 2021, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

During the three months ended March 31, 2022, and subsequent:

Reverse Recapitalization

On April 20, 2022, Icanic Brands Company Inc. 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.

2. COMPANY HIGHLIGHTS (Continued)

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.

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.

Operational update

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.

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.

SELECTED FINANCIAL INFORMATION

A summary of selected financial information for the three and Three months ended March 31, 2022 and 2021 is as follows, as expressed in United States dollars, and in accordance with IFRS:

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net revenue	\$ 7,434,173	\$ 11,181,340
Gross profit	\$ 2,949,474	\$ 2,434,784
Loss from operations	\$ 1,217,832	\$ 334,811
Total other expenses	\$ 417,067	\$ 471,384
Net loss and comprehensive loss	\$ 151,090	\$ (599,914)
Net loss and comprehensive loss attributable to non-controlling interest	\$ (38,678)	\$ (30,001)
Net loss and comprehensive loss attributable to shareholders of LEEF Holdings, Inc.	\$ 189,768	\$ (569,913)
Basic and diluted loss per share attributable to shareholders of LEEF Holdings, Inc.	\$ -	\$ 0.01

During the Three months ended March 31, 2022, revenues decreased by \$3.7M or 33.51%. This is primarily due to sales compression in the California market as well as the Company's shift to focusing on CPG branded products. In the same period, gross profit increased \$514,690 or 21.14%. This is primarily due to the Company's strong supply chain management, and manufacturing efficiencies which have resulted in increased yields.

3. RESULTS OF OPERATIONS

3.1 *Results of operations for the three months ended March 31, 2022:*

Revenue

Revenue for the three months ended March 31, 2022 was \$7,434,173, a decrease of \$3,747,167, or 33.51%, as compared to \$11,181,340 for the three months ended March 31, 2021. This is primarily due to sales compression in the California market as well as the Company's shift to focusing on CPG branded products.

Cost of sales and gross profit

Cost of sales for the three months ended March 31, 2022 was \$4,484,699, a decrease of \$4,261,857, or 48.73% as compared to \$8,746,556 for the three months ended March 31, 2021. Gross profit for the three months ended March 31, 2022 was \$2,949,474, representing a gross margin of 39.7%, compared with a gross profit of \$2,434,784, representing a gross margin of 21.8% for the three months ended March 31, 2021. The increase is primarily due to the Company's strong supply chain management, and manufacturing efficiencies which have resulted in increased yields.

Total operating expenses

Total operating expenses for the three months ended March 31, 2022 was \$1,731,642, and decrease of \$368,331, or 17.54%, compared to total operating expenses of \$2,099,973 for the three months ended March 31, 2021. The decrease in total operating expenses was primarily attributable to decreased operating costs related to salaries and wages (\$328,833).

3. RESULTS OF OPERATIONS (Continued)

Net loss and comprehensive loss

Net profit (loss) and comprehensive loss for the three months ended March 31, 2022 and 2021 was \$151,090 and (\$599,914), respectively, an increase of \$751,004, or 125.19%. The increase in net profit and comprehensive net profit was primarily due to the increase in gross profit, and decrease in operating costs in the quarter.

3.3 Cash flows for the three months ended March 31, 2022

Cash flow from operating activities

Cash provided in operating activities for the three months ended March 31, 2022 was \$495,156 as compared to cash of \$1,849,611 in the comparative period.

Cash flow from investing activities

Cash used from investing activities for the three months ended March 31, 2022 was \$104,925 as compared to used cash of \$332,266 in the comparative period.

Cash flow from financing activities

Cash provided from financing activities for the three months ended March 31, 2022 was \$2,230,900 as compared to cash provided of \$4,721,840 in the comparative period.

3. RESULTS OF OPERATIONS (Continued)

3.4 Revenue and cost of sales analysis

During the three months ended March 31, 2022 and 2021, revenue and cost of sales was as follows:

	Three Months Ended	
	March 31, 2022	March 31, 2021
Net revenue	\$ 7,434,173	\$ 11,181,340
Cost of sales	\$ 4,484,699	\$ 8,746,556
Gross profit	\$ 2,949,474	\$ 2,434,784
Gross margin rate	39.7%	21.8%

- The Company is a cannabis branded products manufacturer based in California. The Company utilizes its distribution channels to facilitate significant revenue growth.
- Cost of sales include all expenditure related to the products which include ingredients and manufacturing costs used in the production and sale of cannabis and related derivatives.
- Net revenue during the three months ended March 31, 2022 and 2021 was \$7,434,173 and \$11,181,340, respectively, a decrease of \$3,747,167, or 33.51%.
- The gross margin rate for the three months ended March 31, 2022 and 2021 was 39.7% and 21.8%, respectively. The increase is primarily due to the Company's strong supply chain management, and manufacturing efficiencies which have resulted in increased yields.

4. LIQUIDITY AND CAPITAL RESOURCES

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 at March 31, 2022, the Company has negative working capital of \$2,742,307 and had a cash balance of \$10,134,502. The 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" in the condensed interim consolidated financial statements for the six months ended March 31, 2022 and 2021 for further information.

4. LIQUIDITY AND CAPITAL RESOURCES (Continued)

As of the date of this MD&A, the Company has entered into a Restructuring Support Agreement with certain holders of the 2019 Secured Convertible Debentures and receiving financing of approximately \$2,000,000. Upon completion of the recapitalization transaction, the Company's outstanding indebtedness will be reduced in addition to lower annual interest expense related to the debt.

5. OFF BALANCE SHEET ARRANGEMENTS

As of March 31, 2022, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, or any obligations that trigger financing, liquidity, market or credit risk to the Company.

6. 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 three months ended March 31, 2022, the Company recognized approximately \$96,848, and \$194,860, in compensation and stock-based compensation, respectively, provided to key management.

Related Party Balances

For the six months ended March 31, 2022, the Company had accrued approximately \$350,000 of expenses to a farming company that is owned by a member of management and shareholder with approximately \$112,400, unpaid as of March 31, 2022.

7. CRITICAL ACCOUNTING ESTIMATES

Significant accounting judgments and estimates

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

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 reevaluates the classification of financial instruments. Upon the change in the parent Company's functional currency during the year, the financing warrants, which were initially classified as a derivative liability on the 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.

7. CRITICAL ACCOUNTING ESTIMATES (Continued)

Valuation of share-based payments

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

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.

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.

7. CRITICAL ACCOUNTING ESTIMATES (Continued)

Leases

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

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

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.

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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial Risk Management Objectives and Policies

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

Financial Risks

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

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. Credit risk associated with cash and receivables arises from the possibility that the principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationship. The Company is currently exposed to moderate credit risk associated with its trade receivable.

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.

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.

Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at March 31, 2022, the Company has a negative working capital of \$2,742,307 due to the classification of the debenture that will come due in June 2022. The Company may require additional financing to meet its short-term obligations.

9. OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	58,903,974
Stock options	10,903,033
Warrants	7,719,732

10. RISK FACTORS

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline, and prospective investors may lose part or all of their investment.

Risks Related to the United States Regulatory Regime

Marijuana is illegal under U.S. federal law

The cultivation, manufacture, distribution, and possession of marijuana is illegal under U.S. federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law must be applied. Accordingly, federal law applies even in those states in which the use of marijuana has been legalized. Enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

10. RISK FACTORS (CONTINUED)

Under the Controlled Substances Act, 21 U.S.C., § 801 et seq. (the “CSA”), it is a felony to manufacture, distribute, dispense or possess with intent to manufacture, distribute or dispense a controlled substance, including marijuana (a Schedule I controlled substance under the CSA); to use a communication facility, which includes the mail, telephone, wire, radio, and all other means of communication, to cause or facilitate a violation of the CSA; and to place an advertisement knowing that the advertisement is intended to offer to sell or buy marijuana, or to use the internet to advertise the sale of marijuana. It is also a federal misdemeanor to knowingly or intentionally possess marijuana and a felony to attempt or conspire to violate the CSA. The CSA does not apply to conduct that takes place entirely outside the United States if the conduct involves cannabis that never reaches, and is never intended to reach, the United States.

Since the possession and use of marijuana and any related paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities. Its subsidiaries plan to manufacture and/or distribute medical and adult-use cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of marijuana and any related paraphernalia, may seek to bring an action or actions against the Company or its subsidiaries, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another’s criminal activities. The U.S. federal aiding and abetting statute provides that anyone who “commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.” As a result, the U.S. Department of Justice could allege that the Company has “aided and abetted” violations of federal law by providing financing and services to its subsidiaries.

Under these circumstances, the federal prosecutor could seek to seize the assets of the Company, and to recover the “illicit profits” previously distributed to shareholders resulting from any of the foregoing. In these circumstances, the Company’s operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on the Company. Violations of federal law could result in significant fines, penalties, administrative sanctions, criminal prosecution, including arrest, pre-trial incarceration, and sentences including monetary fines or incarceration, disgorgement of profits, cessation of business activities or divestiture, and forfeiture of real and personal property. The federal government can seek, (i) civil forfeiture of property involved in or traceable to certain crimes, including money laundering and violations of the CSA; and (ii) prosecution of the Company’s employees, directors, officers, managers and investors for criminal violations of the CSA, federal anti-money laundering laws, or the Travel Act. Even when the government does not bring criminal charges, it may use the threat of an investigation or charges to incentivize civil settlements.

This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded Common Shares. It is difficult to estimate the time or resources needed to respond to a government investigation or prosecution of such matters without knowing the nature and extent of any information requested by the applicable authorities involved. Such time or resources could be substantial.

Marijuana is strictly regulated in those states which have legalized it for medical or recreational use

U.S. states and territories that have medical and/or adult-use markets impose substantial regulatory and licensing burdens on marijuana businesses. The legal and regulatory framework applicable to cannabis businesses is different in each state and territory. Obtaining a license or permit to grow, distribute, or dispense marijuana can be a difficult, costly, and lengthy process. Violations of a state’s legal and regulatory framework can result in revocation of licenses, civil penalties, and other punishments. No assurance can be given that the Company will receive the requisite licenses, permits, or cards to operate its businesses.

10. RISK FACTORS (CONTINUED)

Local laws and ordinances could restrict the Company's business activity. Local governments may have the ability to limit or ban cannabis businesses from operating within their jurisdiction, or impose requirements in addition to those imposed by state law. Land use, zoning, local ordinances, and similar laws could be adopted or changed, which may have a material adverse effect on the Company's business.

The Company currently operates only in the State of California, but may consider opportunities in other jurisdictions as deemed appropriate by management. The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. Other states may be in the process of reviewing such additional fees and taxation, or may impose them in the future. This could have a material adverse effect upon the Company's business, results of operations, financial condition, or prospects.

Newly established legal regime

The Company business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Restricted access to banking

The Company may have limited or no access to banking or other financial services in the United States. Federal anti-money laundering statutes and regulations discourage financial institutions from working with marijuana businesses, regardless of whether marijuana is legal in the state in which the financial institution or its customers are located. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services, or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Federally chartered financial institutions are subject to federal regulation, including oversight by the FinCEN bureau of the U.S. Treasury Department. Because marijuana is illegal under federal law, financial institutions may subject themselves to federal civil or criminal liability for banking the proceeds of marijuana businesses, and there are relatively few financial institutions who provide banking services to marijuana businesses.

The FinCEN Guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the U.S. Department of Justice, FinCen or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time.

10. RISK FACTORS (CONTINUED)

Financial institutions which do provide financial services to marijuana businesses may charge increased fees to or impose additional requirements on marijuana businesses. Some financial institutions refuse to process debit or credit card payments to marijuana businesses. Financial institutions which do process such transactions may also charge fees higher than those imposed on other businesses. The Company may experience increased costs, or decreased profits, as a result of its inability to accept debit or credit card payments, or as a result of increased fees it pays to the financial institutions processing such transactions.

Further, because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Participating in transactions involving proceeds derived from cannabis may constitute criminal money laundering. It is a federal crime to engage in certain transactions involving the proceeds of "Specified Unlawful Activities" ("SUA") when those transactions are designed to promote an underlying SUA, or conceal the source of the funds. Violations of the CSA and violations of a foreign state's laws are both SUA. It is a federal crime in the United States to engage in an international transaction into or out of the United States if the transaction is intended to promote an SUA, irrespective of the source of the funds. It is a federal crime to engage in a transaction in property worth greater \$10,000 knowing that the property is derived from a SUA. In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of anti-money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes of the United States or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada and other foreign jurisdictions from the United States.

10. RISK FACTORS (CONTINUED)

Heightened scrutiny by Canadian and U.S. regulatory authorities

The Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the "MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV.¹ The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS Clearing and Depository Services Inc. ("CDS") as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, common shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the common shares through the facilities of the applicable stock exchange.

Foreign investors in Icanic Brands Company Inc. and its directors, officers, and employees may be subject to entry bans into the United States

It is a federal crime to engage in interstate or foreign travel or commerce with the intent to distribute the proceeds of or promote a SUA. News media have reported that United States immigration authorities have increased scrutiny of people who are crossing the United States-Canada border with respect to persons involved in cannabis businesses in the United States.

10. RISK FACTORS (CONTINUED)

Those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-US citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the United States. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in the United States. States where it is deemed legal or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal Canadian cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible. Accordingly, the Company's directors, officers or employees traveling to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to the Company's directors, officers or employees, then this may reduce the Company's ability to manage its business effectively in the United States.

Constraints on developing and marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on development, sales and marketing activities imposed by government regulatory bodies. The legal and regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operation and financial condition.

If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

10. RISK FACTORS (CONTINUED)

Unfavorable tax treatment of cannabis businesses

Under Section 280E of the United States Internal Revenue Code of 1986 as amended (“Section 280E”), “no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any state in which such trade or business is conducted”. This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Although the U.S. Internal Revenue Service issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants, and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation, processing, production and packaging operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Risk of civil asset forfeiture

United States federal law enforcement officials are empowered to seize property they allege has been involved in certain criminal activity. Because marijuana remains illegal under U.S. federal law, property owned by marijuana businesses could be subject to seizure and subsequent civil asset forfeiture by law enforcement, whether or not the owner is charged with a crime. Property can be seized and forfeited through criminal, civil, and administrative proceedings. Property owners seeking the return of their property must establish that the property was not involved in criminal activity, which can be a substantial burden.

Proceeds of crime statutes

The Company is subject to a variety of laws and regulations in Canada and in the United States relating to money laundering, financial recordkeeping, and proceeds of crime, including the BSA, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. In the event that any of the Company’s license agreements in the United States are found to be illegal, proceeds of those licensing transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

10. RISK FACTORS (CONTINUED)

Limited intellectual property protection

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, there may be occurrences or impediments that may reduce the value of any of the Company's intellectual property, including the following:

1. the Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.
2. Patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products and as a result the Company may have to rely on goodwill associated with its trademarks, trade names and proprietary cannabis strains.
3. the Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs.

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

Lack of access to U.S. bankruptcy protections

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than the Company.

10. RISK FACTORS (CONTINUED)

Potential FDA regulation

Should the federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

Legality of contracts

The Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts. The inability to enforce any of the Company's contracts could have a material adverse effect on its business, operating results, financial condition, or prospects.

Risks Related to Icanic Brands Company Inc.

Limited operating history

There is no guarantee that the Company's products will be attractive to potential consumers or that the revenues generated from such products will meet the Company's projections. In addition, the Company is subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. The Company has been incurring operating losses. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. Furthermore, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of the Company's operations.

Financial condition, liquidity, and requirements outlook

The Company's cash balance and working capital position are not adequate to sustain the Company's existing operations. If the Company is unable to continue to raise capital from issuances of shares, loans or by other means, its cash and working capital position could be affected.

10. RISK FACTORS (CONTINUED)

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the U.S. Food and Drug Administration, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses. Furthermore, any product recall affecting the cannabis industry more broadly could lead consumers to lose confidence in the safety and security of the products sold by Cannabis license holders generally, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Product liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all.

The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

10. RISK FACTORS (CONTINUED)

General economic and political risks

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, high rates of inflation or unemployment, consumer trends and spending. Changes in medicine and agricultural development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures and implemented a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of common shares.

11. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Forward looking statements include, but are not limited to: statements concerning the completion of, and matters relating to, the various proposed transactions discussed by the Company herein and the expected timing related thereto; the expected operations, financial results and condition of the Company; general economic trends; expectations of market size and growth in the United States and the States the Company operates; additional funding requirements; the Company's future objectives and strategies to achieve those objectives; the Company's estimated cash flow and capitalization and adequacy thereof; and other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

11. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION (Continued)

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond the Company's ability to predict or control. Factors that could cause such differences include, but are not limited to: cannabis is a controlled substance under applicable legislation; the enforcement of cannabis laws could change; differing regulatory requirements across State jurisdictions may hinder economies of scale; legal, regulatory or other political change; the unpredictable nature of the cannabis industry; regulatory scrutiny; the impact of regulatory scrutiny on the ability to raise capital; anti-money laundering laws and regulations; any reclassification of cannabis or changes in U.S. controlled substances and regulations; restrictions on the availability of favorable locations; enforceability of contracts; general regulatory and licensing risks; California regulatory regime and transfer and grant of licenses; limitations on ownership of licenses; regulatory action from the Food and Drug Administration; competition; ability to attract and retain customers; unfavorable publicity or consumer perception; limited market data and difficulty to forecast; constraints on marketing products; execution of the Company's business strategy; reliance on management; ability to establish and maintain effective internal control over financial reporting; competition from synthetic production and technological advances; fraudulent or illegal activity by employees, contractors and consultants; product liability and recalls; risks related to product development and identifying markets for sale; dependence on suppliers, manufacturers, and contractors; reliance on inputs; reliance on equipment and skilled labor; service providers; litigation and any unexpected outcomes thereof; intellectual property risks; information technology systems, cyber-attacks, security, and privacy breaches; bonding and insurance coverage; transportation; energy costs; risks inherent in an agricultural business; management of growth; risks of leverage; future acquisitions or dispositions; difficulty attracting and retaining personnel; and past performance not being indicative of future results.

Readers are cautioned that the factors outlined herein are not an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether because of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.