LEEF BRANDS INC.
(FORMERLY ICANIC BRANDS COMPANY INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Expressed in United States Dollars)

(Unaudited – prepared by management)

NOTICE TO READER

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

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

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

LEEF BRANDS INC. (FORMERLY ICANIC BRANDS COMPANY INC.)
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

		March 31, 2023	December 31, 2022
Assets		*(unaudited)*	
Current assets:			
Cash		$ 3,942,054	$ 3,305,760
Accounts receivable, net		4,520,622	3,095,841
Inventory	*Note 6*	3,220,803	2,981,938
Prepaid expenses and deposits		2,051,527	833,545
Acquisition deposit	*Note 7*	1,445,483	1,445,483
Deferred costs and other current assets		194,508	148,771
Total current assets		15,374,998	11,811,338
Non-Current Assets:			
Property and equipment, net	*Note 5*	18,134,126	20,035,223
Intangible assets, net	*Note 9*	29,300,000	29,300,000
Goodwill	*Note 8*	4,847,688	-
Other assets		794,250	779,715
Total non-current assets		53,076,064	50,114,939
Total Assets		**$ 68,451,062**	**$ 61,926,276**
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and other accrued liabilities	*Note 10*	$ 7,348,536	$ 3,966,528
Related party payables	*Note 17*	718,602	167,735
Current portion of notes payable	*Note 12*	55,342	43,775
Lease liabilities, short term	*Note 14*	264,371	335,848
Current portion of finance lease liability, net of discount	*Note 14*	195,461	373,070
Tax payable		6,501,653	5,578,823
Total current liabilities		15,083,965	10,465,780
Non-Current Liabilities:			
Lease liabilities, net of current portion	*Note 14*	3,070,617	3,093,110
Notes payable, net of current	*Note 12*	-	505,172
Derivative liabilities, long term	*Note 11*	513,447	1,555,037
Deferred tax liability	*Note 23*	8,764,120	8,764,120
Contingent consideration	*Note 15*	3,119,000	3,255,000
Convertible debentures, net of current and discount	*Note 13*	7,082,375	6,555,633
Total non-current liabilities		22,549,560	23,728,072
Total Liabilities		**37,633,525**	**34,193,852**
Shareholders' Equity:			
Common share capital		64,212	58,137
Contributed surplus		90,909,550	86,350,523
Accumulated other comprehensive loss		(185,512)	(168,889)
Accumulated deficit		(63,727,233)	(62,299,525)
Total equity attributable to shareholders' of Leef Brands Inc.		27,061,017	23,940,246
Non-controlling interest		3,756,520	3,792,178
Total Shareholders' Equity		**30,817,537**	**27,732,424**
Total Liabilities and Shareholders' Equity		**$ 68,451,062**	**$ 61,926,276**

Approved on behalf of the board of directors on May 1, 2023

“Micah Anderson, Director”

“Emily Heitman, Director”

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

LEEF BRANDS INC. (FORMERLY ICANIC BRANDS COMPANY INC.)
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(Unaudited – Expressed in United States Dollars)

	Three Months ended	
	March 31, 2023	**March 31, 2022**
Net revenue	$ 9,683,241	$ 7,434,173
Cost of sales	6,199,968	4,484,699
Gross profit	3,483,274	2,949,474
Operating expenses:		
Advertising and promotion	212,921	104,170
Depreciation	441,827	319,498
Wages and salaries	2,181,637	514,144
Office and general expenses	592,780	317,061
Research and development expenses	58,616	(8,160)
Legal and professional fees	360,805	239,649
Insurance expenses	148,037	136,729
Excise and other taxes	18,055	22,592
Lease expenses	195,935	32,260
Travel and business development	136,405	53,699
Total operating expenses	4,347,018	1,731,642
(Loss) income from operations	(863,745)	1,217,832
Other expense:		
Interest expenses	894,092	417,067
Change in fair value of contingent consideration	(157,129)	-
Change in fair value of derivative liability	(1,054,171)	-
Total other (income) expense	(317,208)	417,067
(Loss) income before provision for income taxes	(546,536)	800,765
Provision for income taxes	916,830	649,675
Net (loss) income and comprehensive (loss) income	(1,463,366)	151,090
Foreign currency translation	(16,623)	-
Net loss and comprehensive loss attributable to non-controlling interest	(35,658)	(38,678)
Net (loss) income and comprehensive (loss) income attributable to shareholders' of Leef Brands Inc.	**$ (1,411,085)**	**$ 189,768**
Basic (loss) income per share attributable to the shareholders' of Leef Brands Inc.	**$ (0.00)**	**$ 0.00**
Company	**$ (0.00)**	**$ 0.00**
Diluted (loss) income per share attributable to the Company	**$ (0.00)**	**$ 0.00**
Weighted average number of common shares outstanding - basic	**1,082,794,917**	**57,157,045**
Weighted average number of common shares outstanding - diluted	**1,082,794,917**	**57,157,045**

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

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

	Common Share Capital							
	Number	**$ Amount**	**Contributed surplus**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Total equity attributable to shareholders' of Leef Brands Inc.**	**Non-controlling interest**	**Total shareholders' equity**
Balance as of January 1, 2022	**55,410,115**	**$ 55,410**	**$ 36,243,885**	**$ (34,644,658)**	**$ -**	**$ 1,654,637**	**$ 5,060,913**	**$ 6,715,550**
Net income	-	-	-	189,768	-	189,768	(38,678)	151,090
Shares issued for cash	2,727,272	2,727	3,597,273	-	-	3,600,000	-	3,600,000
Stock option expense			1,308,447			1,308,447		1,308,447
Shares issued for acquisition of entity under common control	1,090,908	1,091	1,194,265	-	-	1,195,356	-	1,195,356
Balance as of March 31, 2022	**59,228,295**	**$ 59,228**	**$ 42,343,870**	**$ (34,454,890)**	**$ -**	**$ 7,948,208**	**$ 5,022,235**	**$ 12,970,443**
Balance as of January 1, 2023	**1,064,243,100**	**$ 58,137**	**$ 86,350,523**	**$ (62,299,525)**	**$ (168,889)**	**$ 23,940,246**	**$ 3,792,178**	**$ 27,732,424**
Net loss	-	-	-	(1,427,708)	-	(1,427,708)	(35,658)	(1,463,366)
Business combination with The Leaf, LLC	76,336,969	-	3,762,191	-	-	3,762,191	-	3,762,191
Foreign currency translation	-	-	-	-	(16,623)	(16,623)	-	(16,623)
Exercised restricted stock units	6,074,932	6,075	(6,075)	-	-	-	-	-
Stock option expense	-	-	525,360	-	-	525,360	-	525,360
Equity based compensation for restricted stock units granted	-	-	35,138	-	-	35,138	-	35,138
Shares issued for conversion of debenture	4,026,781	-	242,413	-	-	242,413	-	242,413
Balance as of March 31, 2023	**1,150,681,782**	**$ 64,212**	**$ 90,909,550**	**$ (63,727,233)**	**$ (185,512)**	**$ 27,061,017**	**$ 3,756,520**	**$ 30,817,537**

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

LEEF BRANDS INC. (FORMERLY ICANIC BRANDS COMPANY INC.)
Consolidated Statements of Cash Flows
(Unaudited - Expressed in United States Dollars)

	Three Months Ended	
	March 31, 2023	**March 31, 2022**
Cash flow from operating activities:		
Net (loss) income and comprehensive (loss) income	$ (1,463,366)	$ 151,090
Adjustments to reconcile net (loss) income		
to net cash used in operating activities:		
Depreciation	441,827	319,498
Share based compensation	560,498	-
Amortization of debt discounts	524,319	-
Change in fair value of derivative liability	(1,054,171)	-
Change in fair value of contingent consideration	(157,129)	-
Amortization of finance liability discounts	20,432	32,909
Forgiveness of notes payable	268,058	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,415,911)	(1,288,968)
Prepaid expenses and deposits	(1,217,982)	85,558
Deferred costs and other current assets	(39,103)	120,140
Inventory	(2,047)	(1,531,757)
Other assets	(14,535)	-
Accounts payable and other accrued liabilities	2,821,966	1,692,417
Related party payables	550,867	57,695
Tax payable	893,307	856,574
Net cash provided by operating activities	**717,030**	**495,156**
Cash flows from investing activities:		
Equipment purchase	(52,025)	(104,925)
Cash acquired from acquisition	326,221	-
Net cash provided by (used in) investing activities	**274,196**	**(104,925)**
Cash flows from financing activities:		
Issuance of common shares	-	2,402,951
Repayment of notes	(8,145)	(7,384)
Repayments on finance liabilities	(177,609)	(145,226)
Repayments on lease liabilities	(152,555)	(19,441)
Net cash (used in) provided by financing activities	**(338,309)**	**2,230,900**
Net increase in cash	**652,917**	**2,621,131**
Effect of foreign exchange translation	(16,623)	-
Cash, beginning of period	3,305,760	7,513,371
Cash, end of period	**$ 3,942,054**	**$ 10,134,502**
Cash paid during the year for:		
Interest	$ 83,601	$ 109,023
Taxes	$ -	$ 449,570
Other non-cash investing and financing activities:		
Disposal of Dekrown net assets	$ 2,995,160	$ -
Conversion of convertible debentures and notes payable	$ 759,287	$ -
Shares issued for Acquistion of The Leaf at 73740, LLC	$ 3,762,191	$ -

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

1. Nature and Continuance of Operations

Leef Brands Inc. (the "Company") (Formerly Icanic Brands Company Inc.) was incorporated on September 15, 2011, under the laws of the province of British Columbia and is registered extra-provincially under the laws of Ontario. The Company is a cannabis branded products manufacturer based in California. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "LEEF" which became effective December 7, 2023. The head office of the Company is located at Suite 810 - 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada.

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. As of March 31, 2023, the Company has yet to generate a positive net income. The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. See liquidity section of "*Note 2 – Basis of Presentation*" for further discussion on liquidity needs.

Reverse recapitalization

On April 20, 2022, the Company acquired all of the common stock of LEEF Holdings, Inc. ("LEEF") pursuant to a merger agreement dated January 21, 2022, among the Company, its wholly-owned subsidiary, Icanic Merger Sub, Inc. and LEEF. The Company issued an aggregate of 759,717,003 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. In addition the Company issued 238,235,950 common shares with a fair value $34,606,154 as the consideration paid for the acquisition of LEEF.

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

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

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

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

2. Basis of Presentation

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

LEEF Holdings, Inc. was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in International Financial Reporting Standard ("IFRS") 3. This determination was primarily based on LEEF Holdings, Inc.'s stockholders prior to the Business Combination having a majority of the voting interests in the Company following the closing of the Business Combination, LEEF Holdings, Inc.'s operations comprising the ongoing operations of the Company, LEEF Holdings, Inc.'s designees comprising half of the board of directors of Company, and LEEF Holdings, Inc.'s senior management comprising the senior management of the Company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of LEEF Holdings, Inc. issuing stock for the net assets of Icanic Brands, Inc. accompanied by a recapitalization. The net assets of Icanic Brands, Inc. are stated at historical cost.

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

Statement of compliance

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

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on May 1, 2023.

2. Basis of Presentation (Continued)

Liquidity

Historically, the Company's primary source of liquidity has been its operations, capital contributions made by equity investors and debt issuances. The Company is currently meeting its current operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As of and for the three months ended March 31, 2023, the Company had an accumulated deficit of $63,727,233, a net loss and comprehensive loss attributable to the Company of $1,463,366 and net cash provided by operating activities of $717,030. 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.

Basis of presentation and measurement

These consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value through profit and loss, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Change in fiscal year-end

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

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

2. Basis of Presentation (Continued)

Functional currency

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

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

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

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

COVID-19

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

(Unaudited - Expressed in United States Dollars)

2. Basis of Presentation (Continued)

Basis of consolidation

These consolidated financial statements as of March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 include the accounts of the Company, its wholly-owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. The following is a list of the Company's wholly-owned and partially owned operating subsidiaries:

Name	Purpose	Jurisdiction	Interest
Aya Biosciences, Inc.	(1) Pharmaceutical	US	51.01%
Anderson Development SB, LLC.	(2) Cultivation	US	100%
Paleo Paw Corp.	CBD Wellness	US	100%
X-Sprays Industries Inc.	CBD Wellness	US	100%
LEEF EC RETAIL LLC	Dispensary	US	100%
Willits Retail, LLC.	Dispensary	US	100%
The Leaf at 73740, LLC	Dispensary	US	100%
Cali-Cann Distribution LLC	Distribution	US	100%
DE KROWN ENTERPRISES LLC	Distribution	US	100%
Ganja Gold Inc.	Distribution	US	100%
Payne Distribution, LLC.	Distribution	US	100%
LEEF Brands, Inc.	Holding Company	Canada	100%
LEEF Holdings, Inc.	Holding Company	US	100%
Preferred Brand LLC	Manufacturing	US	100%
Seven Zero Seven, LLC.	Manufacturing	US	100%
LEEF Management, LLC.	Payroll	US	100%
LH Equipment LLC	Payroll	US	100%
LH Management LLC	Payroll	US	100%
LH Packaging LLC	Payroll	US	100%
LH Resources LLC	Payroll	US	100%
1127466 B.C. Ltd.	Real Estate	Canada	100%
1200665 B.C. Ltd.	Real Estate	Canada	100%

(1) As of March 31, 2023 and December 31, 2022, the Company owned a 51.01% and 51.01%, respectively, interest in Aya Biosciences, Inc. See "Note 13 – Convertible Debentures" for further information.
(2) The Company acquired Anderson Development SB, LLC effective November 3, 2021. See "Note 17 – Related Party Transactions" for further information.

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

3. Significant Accounting Policies

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

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

Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Financial assets measured at amortized cost are assessed for impairment at the end of each reporting period. Impairment provisions are estimated using the expected credit loss impairment model where any expected future credit losses are provided for, irrespective of whether a loss event has occurred at the reporting date. Estimates of expected credit losses take into account the Company's collection history, deterioration of collection rates during the average credit period, as well as observable changes in and forecasts of future economic conditions that affect default risk. Where applicable, the carrying amount of a trade receivable is reduced for any expected credit losses through the use of an allowance for doubtful accounts ("AFDA") provision. Changes in the AFDA provision are recognized in the consolidated statement of loss and comprehensive loss. When the Company determines that no recovery of the amount owing is possible, the amount is deemed irrecoverable and the financial asset is written off. As at March 31, 2023 the Company recorded an allowance for doubtful accounts of $965,547 (December 31, 2022 - $1,023,658).

Inventory

Inventory is valued at the lower of cost and net realizable value. The Company's inventory is comprised of cannabis related products and derivatives The cost of inventory is calculated using the weighted average method and comprises all costs of purchase necessary to bring the goods to sale. Net realizable value represents the estimated selling price for products sold in the ordinary course of business less the estimated costs necessary to make the sale. Cost of cannabis biomass is comprised of initial third-party acquisition costs, plus analytical testing costs. Costs of extracted cannabis oil inventory are comprised of initial acquisition cost of the biomass and all direct and indirect processing costs including labor related costs, consumables, materials, packaging supplies and analytical testing costs. Packaging and supplies are initially valued at cost and subsequently at the lower of cost and net realizable value.

Management uses the most reliable evidence available in determining the net realizable value of inventories. Actual selling prices may differ from estimates, based on market conditions at the time of sale. Allowances are made against obsolete or damaged inventory and charged to cost of sales. The reversal of any write-down of inventory arising from increase in the net realizable value is recognized as a reduction of cost of sales in the period in which the reversal occurred. As at March 31, 2023 and December 31, 2022, the Company recorded a write down of inventory of $50,000 and $78,160, respectively.

3. Significant Accounting Policies (continued)

Financial instruments

The Company adopted all the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model. The following is the Company's accounting policy for financial instruments under IFRS 9: Classification The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL

The following table shows the classifications under IFRS 9:

	Classification	Measurement
Financial assets:		
Cash	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Financial liabilities:		
Accounts payable and other accrued liabilities	Amortized cost	Amortized cost
Convertible debentures	FVTPL	Fair value
Notes payable	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	Fair value
Lease liabilities	Amortized cost	Amortized cost

Measurement

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Financial assets through other comprehensive income ("FVTOCI")
Financial assets that meet the following conditions are measured at FVTOCI:

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Property and equipment

The Company records property and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their useful lives. The depreciation rates applicable to each category of property and equipment are as follows:

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

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

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the consolidated statements of loss and comprehensive loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

3. Significant Accounting Policies (Continued)

Intangible assets

The Company's intangible assets consist of trademarks. Intangible assets acquired are measured on initial recognition at cost, while the cost of intangible assets acquired in a business combination is initially recorded at their fair values as at the date of acquisition. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using certain methods and rates. The intangibles as of March 31, 2023 and December 31, 2022 were a trademark and license which have an indefinite-lived asset so there is no assigned life or amortization method.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss. Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Impairment of long-lived assets

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

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized, with the exception of goodwill and indefinite lived intangible assets. The Company will assess for further impairment on an annual basis or as unexpected events happen.

Leases

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

3. Significant Accounting Policies (Continued)

Leases (continued)

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

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

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

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

Sale and leaseback transactions

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

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

3. Significant Accounting Policies (Continued)

Derivatives

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

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

Convertible debentures

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

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

Share Capital

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

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

3. Significant Accounting Policies (Continued)

Foreign currency

These consolidated financial statements are presented in U.S. dollars, which is also one of the functional currency of the certain subsidiaries along with Canadian dollars being the functional currency for other subsidiaries. Each subsidiary determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

i) Transactions and Balances in Foreign Currencies

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

ii) Foreign operations

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

Income Taxes

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

Current Tax

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

3. Significant Accounting Policies (Continued)

Income Taxes (continued)

Deferred Tax

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

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

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

Revenue recognition

The Company generates revenue primarily from the sale of cannabis related. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. Payment for sales is typically due prior to shipment. Payment for wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company’s credit policy upon the transfer of goods to the customer. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

Bulk product and white label services revenue

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

3. Significant Accounting Policies (Continued)

Share-based Compensation

As part of its remuneration, the Company grants restricted stock units and also stock options and warrants to buy common shares of the Company to its employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

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

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

Business combination

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

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

3. Significant Accounting Policies (Continued)

Business Combination (continued)

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

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

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

Related party transactions

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

Earning (loss) per share

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

3. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates

The preparation of interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's consolidated financial statements. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

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

<u>Business combinations and asset acquisitions</u>
Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase.

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.

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

3. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Inventory

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

Valuation of share-based payments

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

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

Estimated useful life of long-lived assets

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

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.

3. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Provisions

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

Leases

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

The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company used an incremental borrowing rate between 12% - 15%.

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

Fair values

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debentures and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market. See "*Note 16 – Financial Instruments and Financial Risk Management*" for summaries of the Company's financial instruments as of March 31, 2023 and December 31, 2022.

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.

3. Significant Accounting Policies (Continued)

Significant accounting judgments and estimates (continued)

Income (Loss) per Share
The Company calculates basic earnings or loss per share by dividing net earnings or loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share if the issuance of shares on the exercise of convertible debentures, contingency issuable shares, warrants, and share options are anti-dilutive. Diluted earnings per share includes options and warrants if the average market price for the Company's common shares for the period exceeds the exercise price ("in the money"). Contingently issuable shares that are determined to be dilutive and the contingency is satisfied are included in the diluted earnings per share. The Company's convertible debentures are included in the diluted earnings per share if determined to be dilutive. See "Note 21 – Income (Loss) Per Share" for further information.

Recently Adopted Accounting Pronouncements

IAS 37 – "*Provisions, Contingent Liabilities and Contingent Assets*" ("IAS 37")
In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. The company adopted this amendment as of January 1, 2022, this amendment did not have a material impact on its condensed consolidated financial statements at the time of adoption.

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

Recent Accounting Pronouncements

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

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

3. Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (continued)

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

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

4. Business Combination

Acquisition of The Leaf

On January 11, 2023, the Company entered into a Membership Interest Purchase Agreement with The Leaf at 73740, LLC ("The Leaf"), a dispensary in Palm Desert, California, to acquire 100% of the outstanding interest in The Leaf. For the consideration of the interests, the Company issued 76,336,969 common shares valued at approximately $4.6 million in addition to a working capital adjustment consideration of approximately $0.3 million, subject to closing adjustments. At the time these financial statements were available to be issued, the Company was still determining the purchase accounting for the acquisition of The Leaf and expects to finalize the accounting for the acquisition by August 2023. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period.

(Unaudited - Expressed in United States Dollars)

4. Business Combination (continued)

The following table summarizes the preliminary acquisition-date fair value of the consideration transferred and preliminary purchase price allocation for the fair value amounts of the assets acquired and liabilities assumed at the date of acquisition, January 11, 2023:

Total Consideration:		
Stock Issued:	$	3,762,191
Indemity holdback and working capital adjustment		1,098,765
Total Consideration	**$**	**4,860,956**
Preliminary Accounting of Net Assets Acquired:		
Cash	$	326,221
Accounts Receivable		8,870
Inventories		236,818
Other Current Assets		6,634
Property and Equipment		35,961
Right of use asset		1,447,903
Accounts Payable and Accrued Liabilities		(571,714)
Lease liability		(1,447,903)
Income taxes payable		(29,523)
Total Identifiable Net Assets		13,268
Goodwill *(1)*		4,847,688
Total Preliminary Accounting Estimate of Net Assets Acquired	**$**	**4,860,956**

Merger with LEEF

On April 20, 2022, the Company acquired 100% of the common stock of LEEF pursuant to a merger agreement dated January 21, 2022 among the Company, Icanic Brands Company Inc., its wholly-owned subsidiary, Icanic Merger Sub, Inc. and LEEF. Acquired tangible assets were valued at estimates of their current fair values. The valuation of acquired intangible assets consisting of the intangibles noted above were determined based on management's estimates and consultation with an independent appraiser. The multi-period excess earnings method was used in applying the income approach to determine the fair value of acquired intangible assets. Significant assumptions inherent in the valuation method for acquired intangible assets are employed and included, but are not limited to, prospective financial information, terminal value, and discount rates. When performing the multi-period excess earnings method for acquired intangible assets, the Company incorporates the use of projected financial information and a discount rate that are developed using market participant-based assumptions. The cash-flow projections are based on multi-year financial forecasts developed by management that include revenue projections, capital spending trends, and investment in working capital to support anticipated revenue growth, which are regularly reviewed by management. The selected discount rate considers the risk and nature of the comparative companies and the rates of return market participants would require to investing their capital in the Company.

(Unaudited - Expressed in United States Dollars)

4. Business Combination (continued)

Management determined the acquisition date fair value of contingent consideration using a discounted cash flow method, with significant inputs that are not observable in the market and thus represents a fair value measurement. The inputs in the measurement not supported by market activity, included probability assessments of expected future cash flows related to the merger with LEEF. Management has considered uncertainties associated with the obligation and calculated according to terms of the agreement. The contingent consideration is established at the time of the acquisition and is evaluated on a quarterly basis as additional information becomes available. Any change in fair value is recorded within other expense on the statements of loss and comprehensive loss. Changes in the fair value of the contingent consideration obligations may result from changes in probability assumptions with respect to the likelihood of achieving the various contingent payment obligations. Significant increases or decreases in the inputs noted above in isolation would result in a significantly lower or higher fair value measurement. See "Note 15 - Contingent Consideration and Consideration Payable" for further discussion of the terms of the $3,972,000 contingent consideration.

The following table summarizes the acquisition-date fair value of the consideration transferred and purchase price allocation for the fair value amounts of the assets acquired and liabilities assumed at the date of acquisition, April 20, 2022:

Total Consideration:	
Stock Issued:	$ 34,606,154
Fair value of Contingent Consideration	3,972,000
Total Consideration	**$ 38,578,154**
Accounting of Net Assets Acquired:	
Cash	$ 2,350,780
Accounts Receivable	991,810
Inventories	1,326,249
Acquisition Deposits	1,640,000
Other current assets	202,082
Note receivable - related party	500,000
Property and Equipment	4,030,552
Right of use asset	1,186,265
Tradename Intangible (indefinite life)	8,700,000
License Intangible (indefinite life)	21,000,000
Accounts Payable and Accrued Liabilities	(518,817)
Lease liabilities	(1,229,207)
Deferred tax liability	(8,862,480)
Notes Payable	(692,181)
Consideration Payable	(3,211,000)
Contingent Consideration	(950,000)
Derivative Liabilities	(53,000)
Total Identifiable Net Assets	26,411,053
Goodwill (1)	12,167,101
Total Net Assets Acquired	**$ 38,578,154**

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

(Unaudited - Expressed in United States Dollars)

4. Business Combination (continued)

Goodwill in the amount of $12.2 million relates to potential synergy with the existing business and is equal to the difference between the fair value of net assets acquired in the business combination and the consideration paid. None of the goodwill recognized is expected to be deductible for income tax purposes. If the Business Combination had been completed on January 1, 2022, the Company estimates it would have recorded increases in revenues and net loss of approximately $2,700,000 and $97,900, respectively.

5. Property and Equipment

As of March 31, 2023 and December 31, 2022, the property and equipment consists of the following:

	Buildings	Office equipment and software	Machinery and equipment	Right-of-use asset (1)	Vehicles	Leasehold Improvements	Construction in progress	Total
Cost								
Balance as of January 1, 2022	$ 14,252,339	$ 167,491	$ 2,988,849	$ 1,096,950	$ 233,263	$ -	$ 1,641,098	$ 20,379,990
Additions	6,387	26,401	26,370	1,284,850	54,272	6,600	-	1,404,880
Transfers			1,079,638	-			(1,079,638)	-
Disposals	-	-	(822,549)	-	-	-	(561,460)	(1,384,009)
Assumed in business acquisition from LEEF Holdings, Inc.	1,046,229	-	2,298,037	1,186,265	-	686,286	-	5,216,817
Balance as of December 31, 2022	$ 15,304,955	$ 193,892	$ 5,570,345	$ 3,568,065	$ 287,535	$ 692,886	$ -	$ 25,617,678
Additions	-	22,552	29,473	-	-	-	-	52,025
Disposals and transfers	-	-	(1,780,174)	(1,214,985)	-	-	-	(2,995,159)
Assumed in business acquisition from The Leaf	-	-	35,961	1,447,903	-	-	-	1,483,864
Balance as of March 31, 2023	**$ 15,304,955**	**$ 216,444**	**$ 3,855,605**	**$ 3,800,983**	**$ 287,535**	**$ 692,886**	**$ -**	**$ 24,158,408**
Accumulated Depreciation								
Balance as of January 1, 2022	$ (2,520,497)	$ (66,736)	$ (662,703)	$ (365,650)	$ (70,555)	$ -	$ -	$ (3,686,141)
Depreciation	(1,111,884)	(44,075)	(368,132)	(339,459)	(32,764)	-	-	(1,896,314)
Balance as of December 31, 2022	$ (3,632,381)	$ (110,811)	$ (1,030,835)	$ (705,109)	$ (103,319)	$ -	$ -	$ (5,582,455)
Depreciation	(150,455)	(11,330)	(218,108)	(54,301)	(7,634)	-	-	(441,827)
Balance as of March 31, 2023	**$ (3,782,836)**	**$ (122,141)**	**$ (1,248,943)**	**$ (759,410)**	**$ (110,953)**	**$ -**	**$ -**	**$ (6,024,282)**
Net Book Value								
March 31, 2023	**$ 11,522,119**	**$ 94,303**	**$ 2,606,662**	**$ 3,041,573**	**$ 176,582**	**$ 692,886**	**$ -**	**$ 18,134,126**
December 31, 2022	**$ 11,672,574**	**$ 83,081**	**$ 4,539,510**	**$ 2,862,956**	**$ 184,216**	**$ 692,886**	**$ -**	**$ 20,035,223**

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

There was depreciation expense and amortization expense for the three months ended March 31, 2023 was $387,526 and $54,301, respectively. Depreciation expense and amortization expense for the three months ended March 31, 2022 was $319,498 and $32,909, respectively. These amounts were included in as an operating expenses on the consolidated statements of loss and comprehensive loss for the three months ended March 31, 2023 and 2022.

On January 1, 2023, the Company disposed of 100% of its interests in De Krown Enterprises LLC. The Company recorded an impairment on the disposal long-lived assets of De Krown for the year ended December 31, 2022. In accordance with IFRS, 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 and an impairment loss should be recorded if the recoverable amount is significantly lower than the carrying value. As such Management performed the assessment and has recorded a loss on impairment of De Krown long-lived assets totaling $822,549. No further analysis or loss was deemed necessary as of March 31, 2023. See “Note 3 – Significant Accounting Policies” for further discussion on the Company’s policy surrounding the impairment of long-lived assets.

(Unaudited - Expressed in United States Dollars)

6. Inventory

As of March 31, 2023 and December 31, 2022, inventory consists of the following:

	2023	2022
Raw materials	$ 415,719	$ 566,864
Work-in-Process	50,070	19,734
Finished goods - cannabis related products	2,656,484	2,395,340
Total inventory	**$ 3,122,273**	**$ 2,981,938**

7. Acquisition Deposit

On May 21, 2019, the Company entered into a share exchange agreement (the "Definitive Agreement") among the Company, 1200665 B.C. Ltd., a private British Columbia company ("1200665BC"), whereby the Company will acquire all of the issued and outstanding shares of 1200665BC. 1200665BC, have pending Share Purchase Agreements ("SPA") with V6E and Sullivan Park, whom are beneficial owners of cannabis cultivation and manufacturing licenses in the state of Nevada. The Company is seeking regulatory approval for the transfer of ownership from the State of Nevada. Upon receipt of regulatory approval, the transaction with 1200665BC will close. As consideration, the Company issued 30,645,161 common shares with a fair value of $11,645,161 and settled the remaining purchase price of $12,500,000 through the issuance of 40,322,580 common shares. The acquisition deposit represents funds and equity advanced to these Entities. Upon regulatory approval, the Company will assess whether the acquired business meets the definition under IFRS 3 – *Business Combinations* and the acquisition deposit will be the purchase price. The acquisition deposit will be eliminated upon regulatory approval.

In the fourth quarter of 2022, it was determined by Management that certain acquisitions noted above were revalued based on initial expectations of valuations being much higher than determined at December 31, 2022. Although the Management reduced the expected value of certain acquisitions, there were still material value to warrant a deposit asset and this is evidenced by Letters of Intent ("LOI's") that are included as an asset on the accompanying statement of financial position as Acquisition Deposits. These deposits total $1.64 million and are based on the LOI's in place at the time these financial statements were available to be issued. As of December 31, 2022, the acquisition deposit was approximately $1,445,000.

8. Goodwill

As of March 31, 2023 and December 31, 2022, goodwill was $4,847,688 and $nil, respectively. During the three months ended March 31, 2023, the Company recorded goodwill of $4,847,688 as a result of a business combination in January 2023. During the year ended December 31, 2022, the Company recorded goodwill of $12,167,101 as a result of a business combination on April 20, 2022. See "*Note 4 – Business Combinations*" for further information on both transactions. For the three months ended March 31, 2023 and the year ended December 31, 2022, the Company recorded $nil and $12,167,101, respectively, to recognize an impairment loss on the balance of goodwill. See "*Note 3 – Significant Accounting Policies*" for managements position on impairment of long-lived assets.

9. Intangible Assets

As of March 31, 2023 and December 31, 2022, intangible assets were $29,300,000, respectively. During the year ended December 31, 2022, the Company acquired trademark and license intangible assets of $8,700,000 and $21,000,000, respectively, as a result of a business combination on April 20, 2022. See "*Note 4 – Business Combinations*" for further information. During the year ended December 31, 2022, the Company recorded $400,00 as a loss on impairment for these intangible assets. See "*Note 3 – Significant Accounting Policies*" for managements position on impairment of long-lived assets. As of March 31, 2023 management determined that no further impairment loss was deemed necessary.

(Unaudited - Expressed in United States Dollars)

10. Accounts Payable and Other Accrued Liabilities

As of March 31, 2023 and December 31, 2022, accounts payable and other accrued liabilities consists of the following:

	2023	2022
Accounts payable	$ 5,436,237	$ 2,743,922
Accrued liabilities	1,912,300	1,222,606
Total accounts payable and other accrued liabilities	**$ 7,348,537**	**$ 3,966,528**

11. Derivative liabilities

During June 2019, the Company entered into a private placement financing by issuing approximately $14,671,000 senior secured convertible debentures (see *"Note 13 - Convertible Debentures"*) and 14,671 share purchase warrants that contain a non-fixed conversion ratio into the Company's shares and exercise price, respectively. During September 2022, 75% of the senior secured convertible debentures balance was modified such that that the conversion price into the Company's common stock was denominated in a currency other than the Company's functional currency. As a result, the conversion options did not have a fixed conversion rate.

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

During the year ended December 31, 2022, the Company acquired a note payable for gross proceeds of $200,000 ("Secured Loan") as a part of a business combination. The Secured Loan bears interest of 6% and the principal and interest are convertible into common stock of the Company at a market rate less an allowable discount ("Conversion Price"). The Secured Loan original maturity date of December 31, 2020 was extended to June 30, 2023. See "*Note 4 – Business Combinations*" for further information.

For the Secured Loan, the variability of the Conversion Price would result in a variable number of shares on conversion. For the Secured Loan, the conversion does not meet the fixed for fixed requirement because a variable number of shares could be issued. The Secured Loan are being accreted to the face value of the debt plus interest to maturity.

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

The following assumptions were used by management to determine the fair value of the derivative liabilities as of March 31, 2023 and December 31, 2022:

	2023	2022
Expected Stock Price Volatility	60.00%	60.00%
Risk-Free Annual Interest Rate	4.38%	4.51%
Expected Life (Years)	1.44	1.69
Share Price	$ 0.03	$ 0.04

(Unaudited - Expressed in United States Dollars)

11. Derivative liabilities (Continued)

A reconciliation of the beginning and ending balance of derivative liabilities and change in fair value of the derivative liabilities is as follows for the three months ended March 31, 2023 and year ended December 31, 2022:

	2023	2022
Balance as of beginning of year	$ 1,555,037	$ 2,513,681
Change in fair value	(1,041,590)	706,808
Fair value of conversion option at modifcation	-	6,316,279
Extinguishment of conversion option	-	(7,981,731)
Balance as of end of year	**513,447**	**1,555,037**
Less derivative liabilities, short term	-	-
Derivative liabilities, long term	**$ 513,447**	**$ 1,555,037**

12. Notes Payable

As of March 31, 2023 and December 31, 2022 notes payable consisted of the following:

	2023	2022
Secured promissory notes dated November 2018 through October 2019 issued to finance equipment acquisitions which mature from December 2023 through October 2024, and bear interest of 7.64% to 11.44% with principal and interest payments due monthly.	$ 45,342	$ 53,488
Small Business Administration loan which bears interest at 1% with interest payments due monthly.	10,000	10,000
Secured promissory note dated March 1, 2020, which matures on January 31, 2023, and bears interest of 6%	-	267,459
Secured promissory note dated March 1, 2020, which matures on June 30, 2022, and bears interest of 6% (1).	-	218,000
Total notes payable	55,342	548,947
Less current portion of notes payable	(55,342)	(43,775)
Total notes payable, net of current	**$ -**	**$ 505,172**

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

(Unaudited - Expressed in United States Dollars)

12. Notes Payable (Continued)

A reconciliation of the beginning and ending balances of notes payable for the three months ended March 31, 2023 and year ended December 31, is as follows:

	2023	2022
Balance as of beginning of period	$ 548,947	$ 94,459
Assumed in business acquisition from LEEF Holdings, Inc.	-	485,459
Conversions and settlement of notes payable	(485,459)	-
Cash repayments	(8,145)	(30,971)
Balance as of end of period	**$ 55,342**	**$ 548,947**

13. Convertible Debentures

As of March 31, 2023 and December 31, 2022, convertible debentures consisted of the following:

	2023	2022
Senior secured convertible promissory debentures dated September 2022, which matures on September 9, 2024, and bears interest at a rate of 11.0%	12,083,290	12,083,290
Total convertible debentures	12,083,290	12,083,290
Less unamortized discount	(5,000,914)	(5,527,657)
Total convertible debentures, net of discount	7,082,375	6,555,633
Less current portion of convertible debentures, net of discount	-	-
Total convertible debentures, net of current and discount	**$ 7,082,375**	**$ 6,555,633**

A reconciliation of the beginning and ending balances of convertible debentures for the three months ended March 31, 2023 and the year ended December 31, 2022 is as follows:

	2023	2022
Balance as of beginning of year	$ 6,555,633	$ 12,666,268
Paid-in-kind interest	-	345,573
Cash additions	-	988,000
Repayments	-	(3,363,559)
Modification, net of allocation to conversion option	(4,028)	(6,015,980)
Cash paid for debt issuance costs	-	(351,034)
Amortization of debt discount	530,770	2,286,365
Balance as of end of year	**$ 7,082,375**	**$ 6,555,633**

13. Convertible Debentures (Continued)

Senior Debentures

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

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

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

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

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

Effective September 9, 2022, the Company amended its Senior Debentures as part of a restructuring support agreement with Icanic Brands (the "Modification"). The Modification provides for 25% of the outstanding principal and accrued unpaid interest to be settled in cash with the remaining 75% settled in new convertible debentures which bear interest at 11% and convert into units at Canadian dollars ("C$") $0.10 with each unit comprised of an Icanic Brands common share and share purchase warrant exercisable into Icanic Brands common share at a price of C$0.15 per share for a period of 24 months from the date of conversion ("Conversion Option"). The Modification was determined to be an extinguishment of the Senior Debentures under IFRS 9, *Financial* Instruments, and recorded a gain on extinguishment of $8,155,893 plus $330,073 of third-party debt issuance costs which were recorded as a debt discount. See "*Note 4 – Business Combinations*" for further information. The Conversion Option was determined to be a derivative under IAS 32*, Financial Instruments*, as the Conversion Option is denominated in a currency other than the Company's functional currency. See "*Note 11 – Derivative Liabilities*" for further details.

(Unaudited - Expressed in United States Dollars)

13. Convertible Debentures (Continued)

On September 8, 2022, the Company closed a non-brokered private placement of new secured debentures in the aggregate principal amount of C$1,300,000 (the "Additional Secured Debentures"). The Additional Secured Debentures have been issued pursuant to a debenture indenture entered into as of September 8, 2022 (the "Indenture"). Pursuant to the Indenture, the Company can issue up to an aggregate of CAD$4,000,000 in connection with the offering. The Additional Secured Debentures bear interest at a rate of 11.0% per annum and mature 24-months from the date of issue (September 8, 2024). The interest accrued under the Additional Secured Debentures are payable in cash upon maturity. Additional Secured Debentures have the same conversion option as Senior Debentures after the Modification. The conversion option is denominated in a functional currency (CAD) that is different as the issuer (USD) and as such needs to be assessed for derivative treatment. Upon further analysis, it was deemed the instrument had an embedded derivative and as such has been recorded as a component of debt.

In connection with the initial issuance of the Senior Debentures, share purchase warrants ("Senior Warrants") exercisable into common shares based on its issue price divided by its conversion price were also issued. The conversion price is equal to the lesser of: (A) the price that is a 25% discount to the liquidity event price and (B) the price determined based on a certain value. The exercise price is a price per common share which is 50% greater than the conversion price. The exercise price is subject to adjustment in the event of a common share reorganization, rights offering, special distribution, or capital reorganization. The warrants are exercisable upon the occurrence of a liquidity event, as defined in the Senior Warrant agreement, and the exercise period is the 24 months following the liquidity event date, provided that if a liquidity event has not occurred within five (5) years from the initial closing date of this offering, the warrants shall expire. Initially the aggregate value of these warrants included a potentially embedded feature to be treated as a derivative but was determined to be de minimis. The embedded conversion feature of the Senior Debentures has been deemed to be a derivative. See "*Note 11 – Derivative Liabilities*" for further details. Subsequent to the merger with LEEF as discussed in "*Note 4 – Business Combination*", the Senior Warrants were effectively issued as part of the share exchange terms noted in the Merger Agreement between LEEF and Icanic. As such, there were 6,616,800 warrants issued from the original 527,338 warrants of LEEF due to the agreed upon 12.55 conversion ratio. See "*Note 18 – Share Capital*" for further details on warrant activity for the three months ended March 31, 2023. As a result of the non-fixed number of shares the Additional Senior Debentures can be converted or exercised into, these features were recognized as a derivative liability (see "*Note 11 – Derivative Liabilities*").

14. Lease Liabilities

A reconciliation of the beginning and ending balance of lease liabilities for the years ended December 31, is as follows:

	2023	2022
Balance as of beginning of year	$ 3,428,958	$ 907,423
Assumed in business acquisition	1,447,903	1,186,265
Recognition of lease liability	-	1,481,470
Remeasurement from disposal	(1,453,478)	-
Interest expense accrual	64,160	256,639
Payment of principal and interest	(152,555)	(402,839)
Balance as of end of period	**3,334,988**	**3,428,958**
Less current portion of lease liabilities	(264,371)	(335,848)
Lease liabilities, net of current portion	**$ 3,070,617**	**$ 3,093,110**

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

(Unaudited - Expressed in United States Dollars)

14. Lease Liabilities (Continued)

The undiscounted lease liabilities are as follows:

Year Ending December 31,	
2023	790,871
2024	862,997
2025	887,858
2026	802,383
2027	817,966
Thereafter	1,226,291
Total Future Minimum Lease Payments	5,388,369
Less Interest	(2,053,381)
Present Value of Lease Liabilities	3,334,988
Less Current Portion of Lease Liabilities	(264,371)
Lease Liabilities, Net of Current Portion	**$ 3,070,617**

Finance Liability

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

(Unaudited - Expressed in United States Dollars)

14. Lease Liabilities (Continued)

Finance Liability (continued)

A reconciliation of the beginning and ending balance of the finance liability for the three months ended March 31, 2023 and the year ended December 31, is as follows:

	2023	2022
Balance as of beginning of year	$ 373,070	$ 1,007,984
Interest expense accrual	28,240	112,960
Payment of principal and interest	(191,492)	(728,732)
Balance as of end of period	**209,818**	**392,212**
Less unamortized discount	(14,357)	(19,142)
Finance liability, net of discount	195,462	373,070
Less current portion of lease liabilities	(195,461)	(373,070)
Finance liability, net of current and discount	**$ -**	**$ -**

The weighted average discount rate applied to the finance leases for the year ended March 31, 2023 was 33.03%. The weighted average remaining terms of the leases as of March 31, 2023 was 0.1 years. Total future payments under finance lease agreements are further disclosed in "*Note 16 – Financial Instruments and Financial Risk Management*".

The undiscounted finance liability is as follows:

Year Ending December 31,	
2023	225,043
Total Future Minimum Lease Payments	225,043
Less Amortization of Discount	(14,357)
Less Interest	(15,225)
Present Value of Lease Liabilities	195,462
Less Current Portion of Lease Liabilities	(195,461)
Lease Liabilities, Net of Current Portion	**$ -**

15. Contingent Consideration and Consideration Payable

In October 2021, the Company entered into a Membership Interest Unit Purchase Agreement with Anderson Development SB, LLC (“ADSB”) to acquire 100% of the outstanding membership interest units. As consideration for the interest units, the Company agreed to an Earnout Consideration (“Earnout”) in the amount equal to 200% of the investment amount in ADSB. The Earnout shall be contingent upon ADSB successfully obtaining a land use permit and a business license to conduct cannabis cultivation by August 31, 2023. As of December 31, 2021 there was a remote probability of this occurring before the Earnout Deadline. During the year ended December 31, 2022, Management determined it became highly probably ADSB would acquire the permit and license within the allotted time. This was based on a large change and turnaround in the cultivation market during the year ended December 31, 2022. As such, the Company has recorded an additional contingent consideration for the Earnout that will be paid out in the form of equity totaling $2,400,000.

Pursuant to the terms of the merger agreement, former LEEF shareholders will also be entitled to receive the following contingent Earn-out Payments, On July 20, 2023, an amount equal to 10% of (A) the product equal to two times the TTM revenue calculated for the 12-month period immediately following closing minus (B) US$120 million; 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; and 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. The original value of the total earnout as of April 20, 2022 was $3,972,000; See “*Note 4 – Business Combination*”. 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.

As of March 31, 2023, the contingent consideration was $3,119,000, which includes $719,000 related to the Earn Out Payments and $2,400,000 related to ADSB.

16. Financial Instruments and Financial Risk Management

Financial Instruments

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

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

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

(Unaudited - Expressed in United States Dollars)

16. Financial Instruments and Financial Risk Management (continued)

Financial Instruments (continued)

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

The following table summarizes the Company's financial instruments as of March 31, 2023:

	Amortized Cost	FVTPL	Total
Financial assets:			
Cash	$ -	$ 3,942,054	$ 3,942,054
Accounts receivable	$ 4,520,622	$ -	$ 4,520,622
Financial liabilities:			
Accounts payable and other accrued liabilities	$ 7,348,536	$ -	$ 7,348,536
Notes payable	$ 55,342	$ -	$ 55,342
Derivative liabilities	$ -	$ 513,447	$ 513,447
Lease liabilities	$ 3,334,989	$ -	$ 3,334,989
Finance lease liabilities	$ 195,461	$ -	$ 195,461

The following table summarizes the Company's financial instruments as of December 31, 2022:

	Amortized Cost	FVTPL	Total
Financial assets:			
Cash	$ -	$ 3,305,760	$ 3,305,760
Accounts receivable	$ 3,095,841	$ -	$ 3,095,841
Financial liabilities:			
Accounts payable and other accrued liabilities	$ 3,966,528	$ -	$ 3,966,528
Notes payable	$ 548,947	$ -	$ 548,947
Derivative liabilities	$ -	$ 1,555,037	$ 1,555,037
Lease liabilities	$ 3,428,959	$ -	$ 3,428,959
Finance lease liabilities	$ 373,070	$ -	$ 373,070

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

Financial Risk Management Objectives and Policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management, with the Board of Directors oversight, manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

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

(Unaudited - Expressed in United States Dollars)

16. Financial Instruments and Financial Risk Management (Continued)

The Company's receivables are comprised of trade accounts receivable, unbilled revenues, and term note receivables. As of March 31, 2023, the Company has approximately $2,701,382, $555,660, and $941,732, respectively, in trade accounts receivable outstanding 0-60 days, 61-90 days and over 90 days, respectively. The expected credit loss for overdue balances as of March 31, 2023 is estimated to be approximately $430,000 based on subsequent collections, discussions with associated customers and analysis of the credit worthiness of the customer.

As of March 31, 2023, the Company has a promissory note receivable for approximately $75,000, respectively, from a California licensed producer and included as a component of other assets in the Consolidated Statements of Financial Position. As security for the promissory note the Company holds second ranking security interest, to the senior lender, over the licensed producers' assets.

The carrying amount of cash, promissory note receivable, and trade and other receivables represent the maximum exposure to credit risk. As of March 31, 2023 and December 31, 2022, the net amount of maximum exposure risk was approximately $4,198,774 and $7,065,813, respectively.

Market and Other Risks

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly. As of March 31, 2023, the market and other risks are low.

Liquidity Risk

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

The Company has the following contractual obligations as of March 31, 2023:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	TOTAL
Accounts payable and other accrued liabilities	$ 7,348,536	$ -	$ -	$ -	$ 7,348,536
Notes payable	$ 55,342	$ -	$ -	$ -	$ 55,342
Derivative liabilities	$ -	$ 513,447	$ -	$ -	$ 513,447
Lease liabilities	$ 264,371	$ 1,653,239	$ 1,417,378	$ -	$ 3,334,989
Finance lease liabilities	$ 195,461	$ -	$ -	$ -	$ 195,461

The Company has the following contractual obligations as of December 31, 2022:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	TOTAL
Accounts payable and other accrued liabilities	$ 3,966,528	$ -	$ -	$ -	$ 3,966,528
Notes payable	$ 43,775	$ 505,172	$ -	$ -	$ 548,947
Derivative liabilities	$ -	$ 1,555,037	$ -	$ -	$ 1,555,037
Lease liabilities	$ 335,848	$ 2,537,220	$ 362,247	$ 193,643	$ 3,428,958
Finance lease liabilities	$ 373,070	$ -	$ -	$ -	$ 373,070

16. Financial Instruments and Financial Risk Management (Continued)

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

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the United States dollar and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- $390,000. To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

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

17. Related Party Transactions

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive persons. During the three months ended March 31, 2023, the Company recognized approximately $135,000, and $72,000, in compensation and stock-based compensation, respectively, provided to key management.

Related Party Balances

For the year ended December 31, 2022, the Company had accrued approximately $572,000 of expenses to a farming company that is owned by a member of management and shareholder with approximately $167,735, unpaid as of March 31, 2023.

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

As of and during the three months ended March 31, 2023, the Company incurred an additional $550,867 of related party payables which was due to members of management for expenses paid on behalf of the Company. These amounts will be satisfied in full as additional cash flow becomes available.

(Unaudited - Expressed in United States Dollars)

17. Related Party Transactions (Continued)

Related Party Balances (continued)

Additionally, the Company has elected to record the equity consideration at par value and will recognize the Contingent Consideration in the consolidated financial statements only when met. During the year ended December 31, 2022, Management determined it became highly probably ADSB would acquire the permit and license within the allotted time. This was based on a large change and turnaround in the cultivation market during the year ended December 31, 2022. As such, the Company has recorded an additional contingent consideration for the Earnout that will be paid out in the form of equity totaling $2,400,000. See "*Note 15 – Contingent Consideration and Consideration Payable*" for further information.

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

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

In connection with the Merger Agreement with LEEF, the Company has approximately a $500,000 note receivable due from a related party that is due 5 years from the date the merger closed on April 20, 2022. The note receivable was executed with Northern Lights Industrial LLC, which is an entity partially owned by the Company's board chairman. The note is included in other assets on the accompanying statement of financial position and will be satisfied in full by March 28, 2027. The balance as of March 31, 2023 and December 31, 2022 is approximately $500,000, respectively.

18. Share Capital

Authorized capital

The Company's authorized share capital consists of:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares issuable in series. No preferred shares are issued as of March 31, 2023.

Common shares

For the three months ended March 31, 2023

On January 11, 2023, the Company entered into a Membership Interest Purchase Agreement with The Leaf at 73740, LLC ("The Leaf"), a dispensary in Palm Desert, California, to acquire 100% of the outstanding interest in The Leaf. For the consideration of the interests, the Company issued 76,336,969 common shares valued at approximately $4.6 million

On January 27, 2023, the Company issued 3,973,081 common shares, with a fair value of $238,362 related to the conversion of certain notes payable.

On January 27, 2023, the Company issued 53,700 common shares, with a fair value of $4,000. This issuance was pursuant to the debt conversion of the convertible debentures.

(Unaudited - Expressed in United States Dollars)

18. Share Capital (Continued)

For the year ended December 31, 2022:

In addition, there were 238,235,950 common shares assumed for the business acquisition of LEEF with a fair value of $34,606,154. Concurrently, on the effective date of the merger and pursuant to the Merger Agreement, there were an additional 22,748,220 shares issued to the chairman of the board for services rendered for a fair value on the date of issuance of $3,304,406.

On May 20, 2022, the Company issued 3,764,858 common shares with a fair value of $2,250,000 pursuant to the payment of 50% of the consideration shares and a portion of the first milestone shares owed with respect to the terms of the Share Exchange Agreement made for the acquisition of THC Engineering. See "*Note 15 – Contingent Consideration and Consideration Payable*" for further information.

On June 20, 2022 and December 5, 2022, the Company issued 370,518 common shares with a total fair value of $37,481. These issuances were pursuant to the debt conversions for two debenture conversions on the respective dates. See "*Note 13 – Convertible Debentures*" for further information.

On November 25, 2022, the Company issued 1,755,078 common shares with a fair value of $500,000 pursuant to the remaining payment of the consideration shares and remaining milestone shares owed with respect to the terms of the Share Exchange Agreement made for the acquisition of THC Engineering. See "*Note 15 – Contingent Consideration and Consideration Payable*" for further information.

On December 29, 2022, the Company issued 37,651,471 common shares with a fair value of $2,365,077 pursuant to the payment of the consideration payable with respect to the terms of the Agreement made for the acquisition of De Krown Enterprises LLC which was an entity assumed as part of the Merger with LEEF. See "*Note 4 – Business Combination*" for further information.

Warrants

On October 28, 2022, in connection with a debenture conversion, a total of 67,735 warrants to purchase the Company's stock were issued. The warrants are exercisable at a price of CAD$0.15 per share (USD $0.11 at December 31, 2022) for a period of 24 months from the date of issuance. In addition, as discussed in "*Note 13 – Convertible Debentures*" on April 20, 2022, in connection with the LEEF merger, there were 6,616,800 warrants issued from the original 527,338 warrants of LEEF due to the agreed upon 12.55 conversion ratio. There were no warrants issued for the three months ended March 31, 2023.

The following table summarizes the warrants outstanding that remain outstanding as of March 31, 2023:

Expiration Date	Number of Warrants	Exercise Price
June 7, 2024	6,414,308	$ 0.08
June 6, 2024	202,492	$ 0.02
October 28, 2024	67,735	$ 0.11
Total warrants outstanding	**6,684,535**	

As of March 31, 2023, 6,414,308 warrants were able to be exercised and all warrants outstanding classified as equity have a weighted-average remaining contractual life of 1.19 years.

(Unaudited - Expressed in United States Dollars)

18. Share Capital (continued)

2019 Stock incentive plan

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

There were no options granted during the three months ended March 31, 2023. As of March 31, 2023, there were 140,065,040 options outstanding.

The following table summarizes the stock options that remain outstanding as of March 31, 2023:

Exercise Price		Expiration Date	Stock Options Outstanding	Stock Options Exercisable	Vesting Condition
$	0.06	March 2030	3,136,888	3,136,888	Performance based
$	0.06	February 2029	2,648,361	2,648,361	Performance based
$	0.06	October 2023	390,542	390,542	Three year vesting
$	0.06	April 2023	12,548	12,548	Immediate vesting
$	0.06	January 2030	882,795	882,795	Immediate vesting
$	0.06	June 2029	18,821,325	6,273,775	Performance based
$	0.81	February 2029	10,718,917	10,718,917	Performance based
$	0.06	July 2029	28,249,178	28,249,178	Immediate vesting
$	0.06	February 2029	1,112,428	1,112,428	Three year vesting
$	0.06	February 2029	125,476	125,476	One year vesting
$	0.06	February 2029	941,066	941,066	Two year vesting
$	0.06	February 2029	22,943,866	22,943,866	25% on initial date, 25% over 3 years
$	0.06	February 2029	195,453	195,453	Immediate vesting
$	0.06	February 2029	2,643,907	2,643,907	Three year vesting
$	0.00	October 2030	8,871,118	8,871,118	One year vesting
$	0.10	October 2030	1,254,755	1,254,755	Performance based
$	0.10	January 2031	94,107	70,580	Two year vesting
$	0.10	June 2031	2,509,510	2,509,510	Three year vesting with performance acceleration
$	0.11	July 2031	1,090,796	545,398	Three year vesting
$	0.11	October 2031	10,765,583	5,382,791	Two year vesting
$	0.11	October 2031	313,689	313,689	Immediate vesting
$	0.10	December 2030	125,476	125,476	Performance based
$	0.40	June 2023	2,750,000	2,750,000	Immediate
$	0.33	July 2024	3,750,000	3,750,000	Immediate
$	0.33	July 2024	1,650,000	1,650,000	Six months vesting
$	0.33	July 2024	390,000	245,000	Four years vesting
$	0.33	July 2024	850,000	340,000	Five years vesting
$	0.35	October 2025	3,619,000	1,581,733	Thirty months vesting
$	0.35	October 2025	250,000	233,333	Two year vesting
$	0.35	October 2025	650,000	393,333	Immediate
$	0.70	February 2026	100,000	100,000	Immediate
$	0.55	March 2026	500,000	250,000	Thirty months vesting
$	0.35	June 2026	199,998	79,999	Thirty months vesting
$	0.19	April 2027	7,508,259	1,668,502	Three year vesting
			140,065,040	**112,390,416**	

(Unaudited - Expressed in United States Dollars)

18. Share Capital (Continued)

Restricted Share Unit Plan

In December 2022, the Company formally adopted the Restricted Share Unit Plan (“RSU Plan”). The RSU Plan permits the Board of Directors of the Company to grant Restricted Share Units (“RSU’s”) to employees and non-employees to acquire common shares of the Company at fair market value on the date of approval by the Board of Directors. Vesting is determined on an award-by-award basis. During the year ended December 31, 2022, the Company granted 8,926,947 units to certain individuals. As of March 31, 2023, 9,260,280 units were granted, 7,102,710 units were vested, 652,015 were forfeited, and 6,074,932 were exercised. For the three months ended March 31, 2022, the Company recognized share-based compensation expense of $35,138 for units that were vested. The average grant-date fair value of the RSU’s during the year was $0.07.

Reserves

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

19. Non-controlling interest

Non-controlling interest represents the net assets of the subsidiaries the Company does not directly own. The net assets of the non-controlling interest are represented by equity holders outside of the Company. As of March 31, 2023 and December 31, 2022, the Company holds a 51.01% and 51.01% interest, respectively, in an investment subsidiary and the third party holds a 48.99% and 48.99% minority interest, respectively. This entity is included in the financial statements with a resulting non-controlling interest reflected therein. Non-controlling interests are included as a component of shareholders’ equity.

A reconciliation of the beginning and ending balances for non-controlling interest for the three months ended March 31, 2023 is as follows:

	2023
Balance as of beginning of year	$ 3,792,178
Share of loss	(35,658)
Balance as of end of year	**$ 3,756,520**

(Unaudited - Expressed in United States Dollars)

19. Non-controlling interest (continued)

As of March 31, 2023, non-controlling interest included the following amounts before intercompany eliminations:

	2023
Current assets	$ 1,035,479
Non-current assets	13,139
Total assets	**$ 1,048,618**
Current liabilities	$ 51,002
Non-current liabilities	510
Total liabilities	**$ 51,512**
Revenues	**$ -**
Net loss and comprehensive loss attributable to non-controlling interest	**$ (35,658)**

20. Commitments and contingencies

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of March 31, 2023 and December 31, 2022, marijuana regulations continue to evolve and are subject to differing interpretations. In addition, the use, sale, and possession of cannabis in the United States, despite state laws, is illegal under federal law. However, individual states have enacted legislation permitting exemptions for various uses, mainly for medical and industrial use but also including recreational use. As a result of the differing state and federal laws, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of March 31, 2023 and December 31, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. As of March 31, 2023 and December 31, 2022, there are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party to the Company or has a material interest adverse to the Company's interest.

(Unaudited - Expressed in United States Dollars)

21. Income (Loss) Per Share

The following is a reconciliation for the calculation of net income (loss) attributable to the Company and the basic and diluted income (loss) per share for the three months ended March 31, 2023 and 2022:

	Three Months Ended	
	2023	**2022**
Net Income (Loss) Attributable to the Company	$ (1,411,085)	$ 189,768
Plus interest expense of convertible debentures	332,060	-
Net Income (Loss) Attributable to the Company	$ (1,079,025)	$ 189,768
Weighted-Average Shares Outstanding - Basic and Diluted	1,082,794,917	57,157,045
Income (Loss) Per Share Attributable to the Company - Basic and Diluted	**$ 0.00**	**$ 0.00**

Net income attributable to the Company, as reported, is adjusted for dividends and various other adjustments as defined in IAS 33 “Earnings Per Share”.

After adjustments as defined in IAS 33, if the Company is in a net loss position, diluted loss per share is the same as basic loss per share when the issuance of shares on the exercise of convertible debentures, warrants, share options are anti-dilutive. After adjustments, as defined in IAS 33, if the Company is in a net income position, diluted earnings per share includes options, warrants, convertible debt and contingently issuable shares that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the “if converted” method for the Company’s convertible debt.

22. Subsequent events

On April 18, 2023, there was an additional 5,083,983 shares with a fair value of $253,945 and was related to the working capital adjustment for the total consideration noted for The Leaf acquisition. See “*Note 4 – Business Combinations*”.