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

MANAGEMENT DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

(Unaudited - Expressed in United States Dollars)

Set out below is a review of the activities, results of operations and financial condition of Leef Brands Inc. (Formerly Icanic Brands Company Inc). (the "Company") for the three and six months ended June 30, 2024 and 2023. The discussion below should be read in conjunction with the Company's condensed consolidated financial statements (unaudited) for the three and six months ended June 30, 2024 and 2023 and the audited consolidated financial statements for the years ended December 31, 2023 and 2022. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in United States ("US") dollars unless otherwise indicated. This MD&A has been prepared as at ***August 1, 2024****. The Company is a reporting issuer in the provinces British Columbia, Alberta and Ontario and is listed on the Canadian Securities Exchange as LEEF. Additional information related to the Company, is available on SEDAR at www.sedar.com.*

1. BACKGROUND

Leef Brands Inc. (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". The head office of the Company is located at Suite 2500 Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8.

Reverse recapitalization

On April 20, 2022, the Company acquired all of the common stock of LEEF Holdings, Inc. ("LEEF"). LEEF is a leading cannabis extraction company located in the state of California and provides bulk concentrate to cannabis brands in the state of California. LEEF's manufacturing capabilities in a 12,000 square foot extraction and manufacturing facility with significant throughput and distillate extraction capability. Core manufacturing competencies include ethanol extraction (Type 6 manufacturing license), hydrocarbon extraction (Type 7 manufacturing license), and solventless extraction. LEEF received a 186.7 acre cultivation land use permit, which will result in owning one of the largest cannabis cultivation site in the state of California. See details on the transaction included in the "*Company Highlights - During the three and six months ended June 30, 2024 and 2023, and subsequent*" discussed below.

Non-IFRS Financial Measures

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

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

1. BACKGROUND (Continued)

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

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

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

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

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

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

1. BACKGROUND (Continued)

Adjusted EBITDA (non-IFRS) (Unaudited)

The following table provides a reconciliation of the Company's net loss to Adjusted EBITDA (non-IFRS) for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Net Loss (IFRS)	$ (3,939,204)	$ (20,314,944)	$ (5,404,209)	$ (21,778,310)
Depreciation and amortization	427,494	491,077	872,403	932,904
Interest expense	1,658,395	1,036,882	2,953,199	1,930,972
Income tax expense	802,664	868,531	1,761,309	1,785,361
EBITDA (non-IFRS)	(1,050,650)	(17,918,454)	182,702	(17,129,073)
Adjustments:				
Share-based compensation	1,772,448	422,644	2,310,180	983,142
Change in fair value of contingent consideration	-	21,129	-	(136,000)
Gain on extinguishment of debt	(284,660)	-	(284,660)	-
Loss on impairment	-	17,408,478	-	17,408,478
Change in fair value of derivative liabilities	-	(12,727)	-	(1,066,898)
Non recurring operating costs	-	372,198	-	959,281
Adjusted EBITDA (non-IFRS)	$ 437,138	$ 293,268	$ 2,208,222	$ 1,018,930

Adjusted EBITDA, a non-IFRS financial measure, was $0.4 million and $2.2 million, respectively, for the three and six months ended June 30, 2024, compared to $0.3 and $1.0 million for the three and six months ended June 30, 2023, respectively. The favorable change in adjusted EBITDA of $1.6 million for the six months ended June 30, 2024 compared with the same period in 2023, is primarily due to an increase in EBITDA, a change in share-based compensation expense, change in impairment losses, and change in fair value of derivative liabilities of $1.1 million. Adjusted EBITDA was consistent for the three months ended June 30, 2024 compared to the same period in 2023.

2. COMPANY HIGHLIGHTS

During the six months ended June 30, 2024 and 2023, and subsequent:

In 2023, the Company strategically transitioned away from consumer-packaged goods (CPG) sales through retail strategy, shifting the sales focus to leveraging our core strength in concentrate manufacturing to support and power the top brands in California. This strategic pivot was aimed at aligning the Company's resources with market demands. As a result of this transition, the Company's revenues have decreased year over year, primarily due to the reduction in CPG sales. While CPG sales were more substantial in the first six months of 2023, they have become immaterial in 2024 as the Company concentrated efforts on the bulk sales concentrates market. Despite the revenue decline, the Company has remained committed to managing selling, general, and administrative (SG&A) expenses efficiently. Management continues to explore cost-saving measures and maintain a disciplined approach to financial management, ensuring that we operate as leanly as possible while positioning the company for future growth.

The Leaf Business Combination

On September 19, 2022, the Company entered into a non-binding LOI to acquire 100% equity interest in The Leaf at 73740 LLC ("The Leaf"), a premium California retailer and dispensary in Palm Desert, California. This acquisition closed during the first quarter of 2023 on January 11, 2023. Both parties entered into a Membership Interest Purchase Agreement 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 $3.7 million in addition to holdbacks and working capital adjustment consideration of approximately $1.2 million. On April 18, 2023, there was an additional 5,083,983 shares issued with a fair value of $252,000 and was related to the working capital adjustment for the total consideration noted above. There is still remaining consideration to be issued of $935,618 as of the date of this MD&A was issued.

2. COMPANY HIGHLIGHTS (Continued)

Operational update

On May 25, 2023, the Company entered into a Loan Agreement with ADSB for a total of $7,000,000 which is zero-interest bearing. The loan was issued in connection with 56,875,000 detached warrants which are immediately exercisable at a price of CAD$0.08 per share (USD $0.06) for a period of 60 months from the date of issuance. During the six months ended June 30, 2023, the Company was advanced $300,000 of the stated loan balance with expectation to receive the remainder in future tranches per the funding schedule. In August, the Company received additional tranches of funding of $3.6 million, related to the ADSB Loan Agreement as discussed in Note 12. The Company expects to receive the outstanding balance in the near future.

On September 30, 2023, the Company entered into a Loan Agreement with the Salisbury Canyon Ranch, LLC for a total of $4,199,000 which bears interest at 4% per annum. The Company will make interest-only payments for a period of three years at which point blended interest and principal payments will be made for an additional two years, with a balloon payment due at that time.

As discussed in the unaudited financial statements that related to the same period as is MD&A, effective June 2024, the Company restructured its matured debt obligations for convertible debentures. As such the Company reduced its overall obligation and extended its maturity date through 2027 through the conversion of a portion of debentures totaling approximately $4.9 million through the issuance of 223,959,482 common shares.

The Company continues to settle and pay down unfavorable debt arrangements and increase liquidity through existing operations and practical equity driven capital raises.

SELECTED FINANCIAL INFORMATION

A summary of selected financial information for the three and six months ended June 30, 2024 and 2023 is as follows, as expressed in United States dollars, and in accordance with IFRS:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net revenue	$ 7,916,653	$ 9,294,792	$ 15,830,568	$ 18,978,033
Gross profit	$ 2,689,893	$ 2,902,986	$ 5,902,510	$ 6,386,259
Loss from operations	$ (1,762,804)	$ (18,401,130)	$ (974,361)	$ (19,264,875)
Total other expense, net	$ 1,373,735	$ 1,045,283	$ 2,668,538	$ 728,074
Net loss and comprehensive loss	$ (3,939,204)	$ (20,314,944)	$ (5,404,209)	$ (21,778,310)
Net loss and comprehensive loss attributable to non-controlling interest	$ (15,311)	$ (66,837)	$ (17,214)	$ (102,495)
Net loss and comprehensive loss attributable to shareholders' of Leef Brands Company Inc.	$ (3,718,601)	$ (20,056,661)	$ (5,235,201)	$ (21,467,746)
Basic and diluted loss per share attributable to shareholders' of Leef Brands Company Inc.	**$ (0.00)**	**$ (0.02)**	**$ (0.00)**	**$ (0.02)**

During the three and six months ended June 30, 2024, revenues decreased to $7.9 and $15.8 million, respectively, as compared to revenues for three and six months ended June 30, 2023 of $9.3 million and $18.9 million, respectively. During the three and six months ended June 30, 2024, net loss and comprehensive loss was $3.9 million and $5.4 million as compared to net loss and comprehensive loss for the three and six months ended June 30, 2023 of $20.3 million and $21.8 million, respectively.

3. RESULTS OF OPERATIONS

3.1 Results of operations for the three months ended June 30, 2024 and 2023

Revenue

Revenue for the three months ended June 30, 2024 was $7,916,653, a decrease of $1,378,139, or 15%, as compared to $9,294,792 for the three months ended June 30, 2023. The decrease in revenues is primarily due to market pricing changes and a focus on boosting margins, positive operating cashflow, and efficient revenue streams versus overall output and topline revenues. Our customer base has increased with expansion into other verticals as well as the acquisition of The Leaf in January 2023. The Company has continued to work with high quality customers in order to limit any credit risk.

Cost of sales and gross profit

Cost of sales for the three months ended June 30, 2024 was $5,226,760, a decrease of $1,165,046, or 18% as compared to $6,391,806 for the three months ended June 30, 2024. Gross profit for the three months ended June 30, 2024 was $2,689,893, representing a gross margin of 34%, compared with a gross profit of $2,902,986, representing a gross margin of 31% for the three months ended June 30, 2023. The increase in gross profit margin percentage is due to stronger supply chain management and increased efficiencies in the manufacturing process.

Total operating expenses

Total operating expenses for the three months ended June 30, 2024 were $4,452,698, a decrease of $16,826,324, or 79%, compared to total operating expenses of $21,304,116 for the three months ended June 30, 2023. The decrease in total operating expenses was attributable to the factors described below.

Wages and salaries for the three months ended June 30, 2024 and 2023 were $2,793,600 and $1,836,228, respectively, an increase of $957,272, or 52%. The increase in wages and salaries expense is primarily attributable to the Company's issuance of warrants during the three months ended June 30, 2024 which was recorded as equity-based compensation. Previously, head count was reduced for cost efficiencies that occurred during most of the calendar year 2023. The operating plan is part of the Company's continued efforts to maintain reasonable operating expenses and efficiencies in overhead into the future.

Legal and professional fees for the three months ended June 30, 2024 and 2023 were $326,164 and $499,754, respectively, a decrease of $173,590, or 35%. The decrease in legal and professional fees is primarily attributable to a reduction of professional costs deemed necessary during periods of acquisition and overall efforts to focus on engaging cost-efficient professionals.

In addition to the above, the Company saw a complete reduction in impairment losses related to the isolate write off of impaired intangible assets totaling $17,408,478 during the three months ended June 30, 2023. The Company does not expect any large impairment losses for the foreseeable future.

Net loss and comprehensive loss

Net loss and comprehensive loss for the three months ended June 30, 2024 and 2023 was $3,939,204 and $20,314,944, respectively, a decrease of $16,375,740 or 81%. The net loss and comprehensive net loss saw a large decrease mainly related to an isolated instance of impairment losses recognized as discussed in the above paragraph. Further, during the three months ended June 30, 2024 and 2023, other expenses totaled $1,373,735 and $1,045,283, respectively, for an unfavorable increase related to increases in interest expense for the period of $621,514. The increase was mainly related to the restructuring of long-term debt and extinguishment costs associated with this refinancing.

3.2 Results of operations for the six months ended June 30, 2024 and 2023

Revenue

Revenue for the six months ended June 30, 2024 was $15,830,568, a decrease of $3,147,465, or 17%, as compared to $18,978,033 for the six months ended June 30, 2023. The decrease in revenues is primarily due to market pricing changes and a focus on boosting margins, positive operating cashflow, and efficient revenue streams versus overall output and topline revenues. Our customer base has increased with expansion into other verticals as well as the acquisition of The Leaf in January 2023. The Company has continued to work with high quality customers in order to limit any credit risk.

Cost of sales and gross profit

Cost of sales for the six months ended June 30, 2024 was $9,928,058, a decrease of $2,663,716, or 21% as compared to $12,591,774 for the six months ended June 30, 2024. Gross profit for the six months ended June 30, 2024 was $5,902,510, representing a gross margin of 37%, compared with a gross profit of $6,386,259, representing a gross margin of 34% for the six months ended June 30, 2023. The increase in gross profit margin percentage is due to stronger supply chain management and increased efficiencies in the manufacturing process.

Total operating expenses

Total operating expenses for the six months ended June 30, 2024 were $6,876,871, a decrease of $18,774,263 or 73%, compared to total operating expenses of $25,651,134 for the six months ended June 30, 2023. The decrease in total operating expenses was attributable to the factors described below.

Wages and salaries for the six months ended June 30, 2024 and 2023 were $3,780,378 and $4,017,966, respectively, an decrease of $237,588, or 6%. The decrease in wages and salaries expense is primarily attributable to the Company's efforts to maintain an effective head count as the operating plan includes continued efforts to maintain reasonable operating expenses and efficiencies in overhead into the future, offset by the issuance of warrants during the six months ended June 30, 2024 which was recorded as equity-based compensation.

Legal and professional fees for the six months ended June 30, 2024 and 2023 were $557,545 and $860,560, respectively, a decrease of $303,015, or 35%. The decrease in legal and professional fees is primarily attributable to a reduction of professional costs deemed necessary during periods of acquisition and overall efforts to focus on engaging cost-efficient professionals.

In addition to the above, the Company saw a complete reduction in impairment losses related to the isolate write off of impaired intangible assets totaling $17,408,478 during the six months ended June 30, 2023. The Company does not expect any large impairment losses for the foreseeable future.

Net loss and comprehensive loss

Net loss and comprehensive loss for the six months ended June 30, 2024 and 2023 was $5,404,209 and $21,778,310, respectively, a decrease of $16,374,101 or 75%. The net loss and comprehensive net loss saw a large decrease mainly related to an isolated instance of impairment losses recognized as discussed in the above paragraph. Further, during the six months ended June 30, 2024 and 2023, other expenses totaled $2,668,538 and $728,074, respectively, for an unfavorable increase related to increases in interest expense for the period of $1,022,227. The increase was mainly related to the restructuring of long-term debt and extinguishment costs associated with this refinancing. In addition, the Company recognized a large favorable change during the six months ended June 30, 2023 related to revaluation of its derivative liabilities.

3. RESULTS OF OPERATIONS (Continued)

3.3 Cash flows for the three months ended June 30, 2024 and 2023

Cash flow from operating activities
Cash provided by operating activities for the six months ended June 30, 2024 and 2023 was $384,708 and $195,461, respectively, a favorable change of $189,247, or 97%. The increase in net cash provided by operating activities was primarily due to the favorable cashflow changes related to the decrease in net loss and comprehensive loss of $16,374,100 from period to period. These were offset by unfavorable changes in changes in operating assets and liabilities of $2.5 million for the six months ended June 30, 2024 as compared to the prior period.

Cash flow from investing activities
Cash used in investing activities for the six months ended June 30, 2024 and 2023 was $3,515,790 and $10,836, respectively, an unfavorable change of $3,504,954. The unfavorable change was primarily due to a large increase in capital expenditures of $3.2 million compared to the prior period, which were related to the build out of its cultivation facility that was acquired during 2023.

Cash flow from financing activities
Cash used in financing activities for the six months ended June 30, 2024 and 2023 was $136,347 and $354,276, respectively, an favorable change of $217,929. The decrease of cash used in financing activities was primarily due to favorable changes for proceeds from notes payable issuances of $755,730 and proceeds from the issuance of common shares for cash of $543,939. This was offset by unfavorable changes in note payable repayments and loan repayments which totaled $808,619 and $541,781, respectively, during the six months ended June 30, 2024.

3.4 Revenue and cost of sales analysis

During the six months ended June 30, 2024 and 2023, revenue and cost of sales was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Net revenue	$ 7,916,653	$ 9,294,792	$ 15,830,568	$ 18,978,033
Cost of sales	5,226,760	6,391,806	9,928,058	12,591,774
Gross profit	2,689,893	2,902,986	5,902,510	6,386,259
Gross margin rate	34%	31%	37%	34%

- The Company is a cannabis concentrate manufacturer based in northern California. The Company utilizes its distribution channels to facilitate significant revenue growth.

- Cost of sales include all expenditure related to the products which include ingredients and manufacturing costs and depreciation of equipment used in the production and sale of cannabis and related derivatives.

- Revenue for the three and six months ended June 30, 2024 was $7,916,653 and $15,830,568, respectively, decrease of $1,378,139 and $3,147,465, respectively. This was compared to $9,294,792 and $18,978,033, respectively, for the three and six months ended June 30, 2023. The change in revenues is primarily due to market pricing changes and focus on increasing margins versus overall output during the current period. Our customer base has increased with expansion into other verticals as well as the acquisition of The Leaf in January 2023. The Company has continued to work with high quality customers in order to limit any credit risk. Further the Company continues to maintain efficient cost saving strategies.

3. RESULTS OF OPERATIONS (Continued)

- The gross margin rate for the three and six months ended June 30, 2024 was 34% and 37%, respectively, compared 31% and 34%, respectively, for the three and six months ended June 30, 2023. The change in gross margin rate is primarily a temporary shift in focus for certain verticals and supply chain management and refocusing efficiencies in the manufacturing process. The Company has maintained a strict focus on reducing efforts on less profitable verticals with an overall goal of high margin vertical output. Gross margin rates have continued to improve period over period from a decrease in cost of sales associated with the net revenue generated for the current reporting period.

3.5 Financial position

- The Company had a cash balance and total assets of $2,995,364 and $45,290,409, respectively, as of June 30, 2024. The Company's total assets include goodwill, property and equipment net, and intangible assets of $1,567,485, $26,248,418, and $4,835,483, respectively, as of June 30, 2024.

- Accounts payable and accrued liabilities as of June 30, 2024 was $6,878,785.

- The Company has $3,255,000 in contingent consideration and it is related to the non-current earnout for the acquisition of LEEF of $855,000 and a current earnout for the acquisition of ADSB of $2,400,000.

3.6 Summary of Quarterly Results

The following tables set out financial performance highlights for the last ten quarters and have been prepared in accordance with IFRS.

	Revenues (Unaudited)	Net Income (Loss) Before Non-Controlling Interest (Unaudited)	Share - Basic and Diluted Attributable to the Company
June 30, 2024	$ 7,916,653	$ (3,718,601)	$ (0.00)
March 31, 2024	$ 7,913,914	$ (1,516,600)	$ (0.00)
December 31, 2023	$ 5,875,459	$ (10,348,991)	$ 0.02
September 30, 2023	$ 5,667,291	$ (1,988,722)	$ 0.00
June 30, 2023	$ 9,294,792	$ (20,314,943)	$ (0.02)
March 31, 2023	$ 9,683,241	$ (1,411,086)	$ (0.00)
December 31, 2022	$ 4,521,704	$ 360,380	$ (0.03)
September 30, 2022	$ 6,990,820	$ (10,500,449)	$ (0.01)
June 30, 2022	$ 8,121,247	$ (16,455,718)	$ (0.01)
March 31, 2022	$ 7,369,386	$ (1,059,080)	$ 0.00

4. LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's primary source of liquidity has been its operations, capital contributions made by equity investors and debt issuances. The Company is currently meeting its current operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As at June 30, 2024, the Company had net working capital deficit of $10,173,607 and had a cash balance of $2,995,364. 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.

5. OFF BALANCE SHEET ARRANGEMENTS

As of June 30, 2024, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, or any obligations that trigger financing, liquidity, market or credit risk to the Company.

6. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive persons. During the six months ended June 30, 2024 and year ended December 31, 2023, the Company recognized approximately $257,000, and $492,000, respectively, in compensation and stock-based compensation, respectively, provided to key management.

Related Party Balances

As of June 30, 2024, the Company had accrued approximately $874,000 of expenses to a farming company that is owned by a member of management and shareholder with approximately $115,000, unpaid as of period end.

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 February 28, 2025 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.

6. RELATED PARTY TRANSACTIONS (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 and totals $2,400,000 as of June 30, 2024 and 2023. 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**

7. CRITICAL ACCOUNTING ESTIMATES

Significant accounting judgments and estimates

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

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

Critical accounting estimates

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

7. CRITICAL ACCOUNTING ESTIMATES (Continued)

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

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

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.

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.

7. CRITICAL ACCOUNTING ESTIMATES (Continued)

Income taxes

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

Provisions

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

Leases

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

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

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

Fair values

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

Allowance for doubtful accounts

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

8. FINANICAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

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

Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at June 30, 2024 the Company had a working capital deficit of $10,173,607 and may require additional financing to meet its short term obligations.

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

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.

9. OUTSTANDING SHARE DATA

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

	Number of shares issued or issuable
Common shares	1,438,267,204
Stock options	134,798,737
Restricted stock units	9,260,280
Warrants	292,607,990

10. RISK FACTORS

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

Risks Related to the United States Regulatory Regime

Marijuana is illegal under U.S. federal law

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

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

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

10. RISK FACTORS (Continued)

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

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

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

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

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

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

Newly established legal regime

The Company business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company’s profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States.

10. RISK FACTORS (Continued)

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Restricted access to banking

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

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

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

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

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

In July 2023, Mastercard, Inc. ("MasterCard") issued a statement they have communicated to financial institutions to refrain from allowing marijuana transactions on its debit cards. In accordance with Mastercard's policies, they have instructed the financial institutions that offer payment services to cannabis merchants and connects them to MasterCard to terminate the activity since the federal government considers cannabis sales illegal, and these purchases are not allowed on their systems.

10. RISK FACTORS (CONTINUED)

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

Heightened scrutiny by Canadian and U.S. regulatory authorities

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

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

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

10. RISK FACTORS (CONTINUED)

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

Constraints on developing and marketing products

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

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

10. RISK FACTORS (CONTINUED)

Unfavorable tax treatment of cannabis businesses

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

Risk of civil asset forfeiture

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

Proceeds of crime statutes

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

10. RISK FACTORS (CONTINUED)

Limited intellectual property protection

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

1. the Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

2. Patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products and as a result the Company may have to rely on goodwill associated with its trademarks, trade names and proprietary cannabis strains.

3. the Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs.

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

Lack of access to U.S. bankruptcy protections

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

Competition

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

10. RISK FACTORS (CONTINUED)

Potential FDA regulation

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

Legality of contracts

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

Risks Related to Icanic Brands Company Inc.

Limited operating history

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

Financial condition, liquidity, and requirements outlook

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

10. RISK FACTORS (CONTINUED)

Product recalls

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

Product liability

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

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

10. RISK FACTORS (CONTINUED)

General economic and political risks

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

Internal controls

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

11. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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