AYURCANN

AYURCANN HOLDINGS CORP.

Management's Discussion and Analysis

For the three and six months ended December 31, 2024

This management's discussion and analysis (this "MD&A") covers the financial statements of Ayurcann Holdings Corp. (the "Company") as at December 31, 2024, and for the three and six months ended. This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended June 2024, and 2023 (the "Annual Financial Statements") and the unaudited condensed interim consolidated financial statements for the three and six months ended, including the notes thereto, as at and for the period ended December 31, 2024 (the "December 2024 Financial Statements"). The information contained in this MD&A is current to February 27, 2024. All dollar amounts referred to in this MD&A are expressed in Canadian dollars, except where indicated otherwise.

The accompanying December 2024 Financial Statements have been prepared by management and are prepared in accordance with International Financial Reporting Standards ("IFRS"), and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this MD&A has also been prepared by management and is consistent with the data contained in the December 2024 Financial Statements.

The Company's certifying officers are responsible for ensuring that the December 2024 Financial Statements and this MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the December 2024 Financial Statements and this MD&A fairly present, in all material respects, the financial condition, result of operations and cash flows of the Company as the date hereof.

The board of directors of the Company (the "Board") approves the December 31, 2024 Financial Statements and this MD&A, and ensures that the Company's officers have discharged their financial responsibilities. The Board's review is accomplished principally through the audit committee of the Company, which reviews and approves all financial reports prior to filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A, and in the documents incorporated by reference in this MD&A, constitute "forward-looking information" and "forward-looking statements" (together "forward-looking statements") within the meaning of applicable securities laws and are based on assumptions, expectations, estimates and projections as at the date of this MD&A. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology.

Forward-looking statements in this MD&A herein include, but are not limited to, statements with respect to:

- the Company's business objectives and milestones and the anticipated timing of, and costs in connection with, the execution or achievement of such objectives and milestones (including, without limitation proposed acquisitions);
- the Company's future growth prospects and intentions to pursue one or more viable business opportunities;
- the development of the Company's business and future activities following the date of this MD&A;
- expectations relating to market size and anticipated growth in the jurisdictions within which the Company may from time to time operate or contemplate future operations;
- expectations with respect to economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally;
- the market for the Company's current and proposed product offerings, as well as the Company's ability to capture market share;
- the Company's strategic investments and capital expenditures, and related benefits;
- the distribution methods expected to be used by the Company to deliver its product offerings;
- the competitive landscape within which the Company operates and the Company's market share or reach;
- the performance of business operations and activities of the Company;

- the Company's ability to obtain, maintain, and renew or extend, applicable authorizations, including the timing and impact of the receipt thereof;
- the realization of cost savings, synergies or benefits from the Company's recent and proposed acquisitions, and the Company's ability to successfully integrate the operations of any business acquired within the Company's business;
- the Company's intention to devote resources to the protection of its intellectual property rights, including by seeking and obtaining registered protections and developing and implementing standard operating procedures;
- the Company's ability to generate cash flow from operations and from financing activities;
- future market prices, continued availability of capital and financing opportunities, and general economic, market or business conditions;
- the Company's anticipated revenues, cash flows from operations, operating expenses and consequent funding requirements;
- available funds and the principal purpose of those funds; and
- continued reliance on key individuals' experience and expertise.

Forward-looking statements are subject to certain risks and uncertainties. Although management believes that the expectations reflected in these forward-looking statements are reasonable in light of, among other things, its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, readers are cautioned not to place undue reliance on forward looking statements, as forward looking statements may prove to be incorrect. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements. Importantly, forward-looking statements contained in this MD&A and in documents incorporated by reference are based upon certain assumptions that management believes to be reasonable based on the information currently available to management, including, but not limited to, the assumptions that:

- current and future members of management will abide by the business objectives and strategies from time to time established by the Company;
- the Company will retain and supplement its Board and management, or otherwise engage consultants and advisors having knowledge of the industries (or segments thereof) within which the Company may from time to time participate;
- the Company will have sufficient working capital and the ability to obtain the financing required in order to develop and continue its business and operations;
- the Company will continue to attract, develop, motivate and retain highly qualified and skilled consultants and/or employees, as the case may be;
- no adverse changes will be made to the regulatory framework governing cannabis, taxes and all other applicable matters in the jurisdictions in which the Company conducts business and any other jurisdiction in which the Company may conduct business in the future;
- the Company will be able to generate cash flow from operations, including, where applicable, distribution and sale of cannabis products;
- the Company will be able to execute on its business strategy as anticipated;
- the Company will be able to meet the requirements necessary to obtain and/or maintain Authorizations required to conduct the business;
- general economic, financial, market, regulatory, and political conditions, will not negatively affect the Company or its business;
- the Company will be able to successfully compete in the cannabis industry;
- cannabis prices will not decline materially;
- the Company will be able to effectively manage anticipated and unanticipated costs;
- the Company will be able to maintain internal controls over financial reporting and disclosure, and procedures in order to ensure compliance with applicable laws;
- the Company will be able to conduct its operations in a safe, efficient and effective manner;
- general market conditions will be favourable with respect to the Company's future plans and goals;

- the Company will complete its proposed acquisitions;
- the Company will make meaningful increases to its revenue profile;
- future market prices, continued availability of capital and financing opportunities, and general economic, market or business conditions;
- the Company will accurately assess and anticipate trends in its industry; and
- the Company will maintain a competitive position.

By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although management believes that the expectations reflected in, and assumptions underlying, such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Some of the risks that could cause results to differ materially from those expressed in forward-looking statements in this MD&A and in documents incorporated by reference herein include:

- the Company's inability to attract and retain qualified members of management to grow the business and its operations;
- unanticipated changes in economic and market conditions or in applicable laws;
- the impact of the publications of inaccurate or unfavourable research by securities analysts or other first parties;
- the Company's failure to complete future acquisitions or enter into strategic business relationships;
- interruptions or shortages in the supply of cannabis from time to time available to support the Company's operations from time to time;
- unanticipated changes in the cannabis industry in the jurisdictions within which the Company may from time to time conduct its business and operations, including the Company's inability to respond or adapt to such changes;
- the Company's inability to secure or maintain favourable lease arrangements or the required authorizations necessary to conduct the business and operations and meet its targets;
- risks relating to projections of the Company's operations;
- the Company's inability to effectively manage unanticipated costs and expenses, including costs and expenses associated with product recalls and judicial or administrative proceedings against the Company; and
- the Company inability to complete its proposed acquisitions.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of that date of this document and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

In particular, this MD&A contains forward-looking statements pertaining, without limitation, to the following: changes in general and administrative expenses; future business operations and activities and the timing thereof; the future tax liability of the Company; the estimated future contractual obligations of the Company; the future liquidity and financial capacity of the Company; and its ability to fund its working capital requirements and forecasted capital expenditures.

These forward-looking statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: counterparty credit risk; access to capital; limitations on insurance; changes in environmental or legislation applicable to our operations, and our ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the cannabis industry; and the other factors discussed under "Financial Instruments" in this MD&A.

OVERVIEW

The Company was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name "Pacific Coal Corp.". On April 12, 2011, the Company changed its name to "Canada Coal Inc.". On March 26, 2021, the Company closed a three-cornered amalgamation with Ayurcann Inc. and 12487772 Canada Inc. (the "RTO"). In connection with completing the RTO, the Company delisted from the TSX Venture Exchange, listed on the Canadian Securities Exchange ("CSE") and changed its name to "Ayurcann Holdings Corp.".

The Company is a reporting issuer in the Provinces of Ontario, British Columbia and Alberta and is listed under the symbol "AYUR" on the CSE, under the symbol "AYURF" on the OTCQB, under the symbol "3ZQ0" on the Frankfurt Stock Exchange

The Company's head office and registered office is 1080 Brock Road, Pickering, Ontario L1W 3H3.

Ayurcann Holdings Corp, through its wholly owned subsidiary Ayurcann Inc, is a licensed producer under the Cannabis Act (Canada) focused on providing high quality cannabis products in verity of categories for the recreational and medical use in Canadian Market. Ayurcann Inc.'s head office and registered office is 1080 Brock Road, Pickering, Ontario L1W 3H3.

The Company operates a fully licensed 13,585 square foot state-of-the-art extraction and manufacturing facility based in Pickering ON.

BUSINESS OVERVIEW

Description of the Business

The Company is a leading Canadian cannabis extraction company specializing in the processing and co-manufacturing of pharma grade cannabis to produce various derivative cannabis products in the medical and recreational markets. The Company focuses on the development of new product lines to enable exponential growth and exposure with a wide array of products in leading market categories.

The Company is focused on building a portfolio of leading brands in the Canadian market, including its flagship mainstream brand 'Fuego', value brand 'XPLOR' and mainstream brand 'Happy and Stoned' ("H&S").

Under its house brands Fuego, XPLOR and H&S, the Company has over 60 unique stock keeping units available for sale across Canada, with over 60% coverage of the addressable market The Company has direct supply agreements in place with the British Columbia Liquor Distribution Branch, Alberta Gaming, Liquor and Cannabis Commission, Ontario Cannabis Stores, Cannabis NB, and Yukon Liquor Corporation and sells directly to Manitoba Liquor & Lotteries. The Company also has distribution agreements with distributors in Saskatchewan who distribute the Company's products to provincial retailers

Additional information related to the Company is available on SEDAR+ at www.sedarplus.ca.

Summary of Key Events during the year ended June 30, 2024

On July 17, 2023, the Company issued 1,675,000 shares as aggregate quarterly management fee payment to its directors at a deemed price of $0.05 per Common Share.

On October 2, 2023, the Company issued 1,675,000 shares as aggregate quarterly management fee payment to its directors at a deemed price of $0.05 per Common Share.

In payment of fiscal 2023 management bonus, on January 5, 2024, the Company issued 30,240,000 shares in equal shares to each 2388765 Ontario Inc. a company controlled by Igal Sudman, the Chief Executive Officer of the Company and 1000677847 Ontario Inc a company controlled by Roman Buzaker, the Chief Financial Officer of the Company at a deemed price of $0.047 per Common Share.

On January 9, 2024, the Company issued 1,020,000 shares as aggregate quarterly management fee payment to its directors at a deemed price of $0.05 per Common Share.

On March 24, 2024, the Company renewed its lease of units 5, 6 and 7. The new lease expiration date is March 31, 2029.

On June 26, 2024, Ayurcann Holdings entered into a business combination with Arogo Capital Acquisition Corporation ("Arogo") (NASDAQ: AOGOU, AOGO, AOGOW), a special purpose acquisition company and its subsidiaries at a combined enterprise value estimated to be U.S. $210 million. Upon completion of the business combination, Ayurcann is expected to have on its balance sheet up to US$19.6 million in cash (assuming no redemptions by public stockholders of Arogo and before payment of transaction expenses and deferred underwriting fees) to continue their sustained revenue growth and growing market share.

On November 20, 2024 the Company announced that it had sent a letter to Arogo Capital Acquisition Corporation ("Arogo") terminating the Business Combination in accordance with Section 10.1(c) of the Business Combination Agreement as a result of, among other things, Arogo's failure to perform the covenants set forth in Sections 8.11 (Stock Exchange Listing) and 8.22 (Public Filings) of the Business Combination Agreement.

PERFORMANCE SUMMARY

Selected Annual Financial Information

The table below summarizes key operating data for the three and six months ended December 31, 2024 and the last two fiscal years:

For periods ended	Three months ended 31/Dec/24	Six months ended 31/Dec/24	Fiscal 2024	Fiscal 2023
Net Revenues	$ 7,502,348	$ 15,807,517	$ 25,157,801	$ 12,491,839
Cost of goods sold	(4,230,628)	(9,192,486)	(16,613,629)	(8,812,172)
Gross margin	3,271,720	6,615,031	8,544,172	3,679,667
Operating expenses	3,193,069	6,562,451	11,798,742	9,028,812
Adjusted EBITDA	356,828	611,196	(344,181)	(2,578,433)
Other costs (income)	200,368	417,627	716,598	(42,019)
Net loss and comprehensive loss	(121,718)	(365,047)	(3,971,168)	(5,307,127)
Loss per common share, basic and fully diluted	(0.001)	(0.002)	(0.020)	(0.033)
Cash	$ 1,332,690	$ 1,332,690	$ 389,093	$ 971,959
Working capital	3,575,975	3,575,975	(2,107,504)	(706,437)
Total assets	16,172,409	16,172,409	14,850,459	12,730,395
Current liabilities	9,681,347	9,681,347	13,604,420	9,981,106
Total long-term liabilities	6,324,662	6,324,662	714,591	56,774
Shareholders equity	166,400	166,400	531,447	2,692,516

The Company presently does not pay and does not anticipate paying any dividends on its Common Shares, as all available funds will be used to develop the Company's business for the foreseeable future. See "Discussion of Operations" below for a discussion of factors, which have contributed to period-to-period variations.

Selected Quarterly Financial Information

The following quarterly financial results for the eight most recent quarters have been prepared in accordance with IFRS as listed. The information should be read in conjunction with the Annual Financial Statements and the December 31, 2024 Financial Statements.

Three months ended	Assets	Liabilities	Net Loss	Net loss per share (Basic and Diluted)
31/Dec/24	$ 16,172,409	$ 16,006,009	$ (121,718)	$ (0.001)
30/Sep/24	16,345,169	16,057,051	(243,329)	(0.001)
30/Jun/24	14,850,459	14,319,012	(2,729,449)	(0.013)
31/Mar/24	18,237,701	15,092,155	(260,104)	(0.001)
31/Dec/23	16,149,359	14,270,959	(772,616)	(0.004)
30/Sep/23	14,425,965	11,858,699	(208,999)	(0.001)
30/Jun/23	12,730,395	10,037,880	(3,158,360)	(0.019)
31/Mar/23	10,592,678	4,833,927	(1,050,686)	(0.006)
31/Dec/22	10,484,993	3,759,306	(129,457)	(0.001)

In Q2/25, the decrease in Assets of $172,760 came from lower Accounts Receivable (-$712,397 over Q1/25), a decrease in Prepaid (-$51,540 over Q1/25) and lower Non-Current Assets (-$228,661 over Q1/25), partially offset by higher Cash (+$440,906 over Q1/25) and an increase in Inventories (+$378,931 over Q1/25). Most of of the decrease in Liabilities was due to lower Accounts Payables (-$172,729 over Q1/25), repayment of the amounts due to related parties (-$68,000 over Q1/25), and a decrease in Non-Current Liabilities (-$43,691 over Q1/25), partially offset by higher HST payable (+$233,836 over Q1/25). Compared to Q2/24, Assets increased by $23,050, Liabilities increased by $1,735,050 as the growth in Non Current Liabilities was only partially offset by a reduction in Accounts Payable.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the three and six months ended December 31, 2024, compared to the three and six months ended December 30, 2023

For the three and six months ended December 31, 2024, the Company reported a consolidated net loss and comprehensive loss of $121,718 or $0.001 loss per common share and $365,047 or $0.002 loss per common share, respectively, compared to the net loss and comprehensive loss of $772,616 or $0.004 per common share $981,616 or $0.006 loss per common share for the three and six months ended December 31, 2023 respectively.

Operating, General and Administrative ("G&A") Expenses

	Three months ended 31/Dec/24	*Six months ended* 31/Dec/24	*Three months ended* 31/Dec/23	*Six months ended* 31/Dec/23
Operating expenses				
Salaries and Wages	$ 961,123	$ 1,984,309	$ 573,523	$ 978,170
Office and General	444,165	902,481	220,998	955,255
Sales and Marketing	1,186,927	2,521,363	1,210,055	1,987,816
Professional Fees	377,247	732,182	209,101	415,456
Depreciation of Property and Equipment	74,925	135,933	104,783	105,522
Amortization of Intangible Assets	137,500	275,000	137,500	275,000
Share Based Payments	-	-	276,734	360,484
Total Operating Expenses	**$ 3,193,069**	**$ 6,562,451**	**$ 2,732,694**	**$ 5,077,704**
Other Income/Expenses				
Finance costs	200,368	394,333	171,663	307,417
Other income/expenses	-	23,294	-	-
Total Other Income/Expenses	**200,368**	**417,627**	**171,663**	**307,417**

In Q2/25, Net revenues increased by $1,696,970 or 29% compared to Q2/24 and $3,534or 29% for the six months ended December 31, 2024, compared to the six months ended December 31, 2023.

Cost of goods sold in Q1/25 increased by $556,991 or 15%, compared to Q2/24, and by $1,322,600 or 17% for the six months ended December 31, 2024, compared to the six months ended December 31, 2023.

Net revenue growth outpaced growth in the cost of goods sold, as the Company focused on cost-efficient developing, manufacturing and promoting of its own brand vape and flower products and rationalizing its product line.

Gross profit increased by $1,139,979 or 53% in Q2/25 compared to Q2/24, and by $2,211,525 or 50% for the six months ended December 31, 2024, compared to the six months ended December 31, 2023.

Gross margin increased by 6.9%, from 36.7% in Q2/24 to 43.6% in Q2/25. In the the six months ended December 31, 2024, gross margin increased by 6.0% to 41.8%, compared to 35.9% in the six months ended December 31, 2023.

Operating expenses increased by $460,375 or 17% in Q2/25 compared to Q2/24, and by $1,484,747 or 29% in the six months ended December 31, 2024, compared to the six months ended December 31, 2023. Most of the increase in expenses was related to higher Salaries and Wages Expense from both higher headcount and rate/salary increases, higher Sales and Marketing expenditure), and higher Professional Fees due to continued ramping up of operations and marketing efforts to support natural growth of market share in the recreational markets across Canada.

Share Base Payments decreased by $276,734 in Q2/25, compared to Q2/24, and by $360,484 in the six months ended December 31, 2024, compared to the six months ended December 31, 2023, as the Company switched from share based to cash based compensation for its Board of Directors and other parties in anticipation of Arogo transaction.

During the three and six months ended December 31, 2024, the Company amortized the intangible asset (brand) by $137,500 and $275,000 respectively, based on its 5-year estimated life. Total accumulated amortization since inception was $1,271,027.40.

Finance costs increased by $28,705 to $200,368 in Q2/25, compared to $171,663 in Q2/24, and by $86,916 to $394,333 in the first six months of fiscal 2025 (up from $307,417 in the first six months of fiscal 2024), mostly due to interest expenses related to regulator.

RELATED PARTY TRANSACTIONS

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with International Accounting Standards 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

As disclosed in Notes 13 and 14 of the December 2024 Financial Statements, cash and stock-based compensation of directors and key management personnel including the Chief Executive Officer and Chief Operating Officer of the Company for the three and six months ended December 31, 2024, $359,800 and and $690,300 respectively. For the three and six months ended December 31, 2023, it was $295,750 (of which $83,750 was in the form of share-based payments) and $375,250 respectively.

Director fees paid in shares of the Company for the three and six months ended December 31, 2024 was $nil. For the three and six months ended December 31, 2023 it was $83,750 and $83,750, respectively.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

All significant critical accounting estimates are fully disclosed in Note 3 of the Annual Financial Statements and Note 3 of the December 2024 Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended June 30, 2024, the Company issued 5,575,000 Common Shares.

On July 17, 2023, the Company issued 1,675,000 shares as aggregate quarterly management fee payment to its directors at a deemed price of $0.05 per Common Share.

On October 2, 2023, the Company issued 1,675,000 shares as aggregate quarterly management fee payment to its directors at a deemed price of $0.05 per Common Share.

On January 9, 2024, the Company issued 1,020,000 shares as aggregate quarterly management fee payment to its directors at a deemed price of $0.05 per Common Share.

On January 5, 2024, the Company issued 30,240,000 shares in payment of fiscal 2023 management bonus, in equal shares to each 2388765 Ontario Inc. a company controlled by Igal Sudman, the Chief Executive Officer of the Company and 1000677847 Ontario Inc a company controlled by Roman Buzaker, the Chief Financial Officer of the Company at a deemed price of $0.047 per Common Share.

On January 15, 2024, the Company issued 550,000 shares at a deemed price of $0.05 per Common Share.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

As outlined in Note 17 of the Annual Financial Statements the Company recognizes all financial instruments as follows:

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. As at December 31, 2024 and 2023, the Company has no financial instruments carried at fair value to classify in the fair value hierarchy.

As at December 31, 2024 and 2023, carrying amounts of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities on the statement of financial position approximate fair market value because of the limited term of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

(a) Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and cash equivalents, and financial instruments included in amounts receivable is remote.

The Company's cash is held through large Canadian financial institutions.

The Company's accounts receivable consists of Harmonized Goods and Services Tax due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at December 31, 2024 is $5,277,127 ($5,011,760 as at December 31, 2023), representing trade and other receivables.

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance, and the payments made to determine if an allowance for estimated credit losses is required.

When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at December 31, 2024, the Company did not have any material overdue accounts.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accounts payable and accrued liabilities are due within the current operating period. The Company's accounts payable and accrued liabilities and convertible debt are due within the next operating period, except that convertible debt may be converted to Common Shares at the option of the holders prior to the maturity date. The Company manages its liquidity risk through its operating budgets and financing activities.

The Company attempts to have sufficient liquidity to meet its obligations when due. As at December 31, 2024, the Company's cash and cash equivalents portion of the total working capital was $1,582,690 ($2,915,775 as at December 31, 2023) available to settle current liabilities of $9,681,347 ($13,944,380 as at December 31, 2023). The Company's accounts payable are subject to normal trade terms.

(c) Market Risk

The Company is exposed to the following market risks:

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans and convertible debentures. The Company's interest rates on these loans are fixed and the sensitivity of the Company's loss before tax to a reasonably possible change in market interest rates is considered minimal.

(ii) Foreign Exchange Risk

While the Company's functional currency is the Canadian dollar, major purchases could be transacted in Canadian dollars or United States dollars. As at December 30, 2023, the Company does not hold foreign currency balances.

(iii) Price Risk

The Company is exposed to price risk with respect to cannabis prices. The Company closely monitors cannabis prices to determine the appropriate course of action to be taken by the Company.

(d) Sensitivity Analysis

The Company may hold balances in United States dollars that give rise to foreign exchange risk. Based on the management's knowledge and experience of the financial markets, the Company does not believe there will be any material movements because of changes in interest rates.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is not aware of any off-balance sheet arrangements.

OUTSTANDING SHARE DATA

Common Shares, restricted share units, warrants and stock options of the Company which were outstanding as at December 31, 2024, June 30, 2024, and June 30, 2023 were as follows:

As at	31/Dec/24	30/Jun/24	30/Jun/23
Common shares	194,703,863	194,703,863	158,888,863
Warrants	-	7,808,948	9,411,504
Stock options	833,233	833,233	1,733,380
Restricted share units	-	-	-
Fully diluted	**195,537,096**	**203,346,044**	**170,033,747**

PROPOSED TRANSACTIONS

There are no proposed transactions that will materially affect the Company.

ACCOUNTING POLICIES, CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

The preparation of the Company's December 2024 Financial Statements in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. Critical judgments and estimates represent estimates made by management that are, by their very nature, uncertain. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied, and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 2 and 3 to the 2024 Audited Financial Statements and Notes 2 and 3 to the December 2024 Financial Statements.

INTERNAL CONTROLS AND PROCEDURES

In connection with exemption orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the September 2023 Financial Statements and in the accompanying MD&A.

In contrast to the certificate that would be issued in accordance with the Canadian Securities Administrators' National Instrument 52-109, - *Certification Of Disclosure In Issuers' Annual And Interim Filings ("NI-52-109)* the Venture Issuer Basic Certification includes a "Note to Reader" stating that the Chief Executive Officer and Chief Financial Officer do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

Notwithstanding the filing of a Venture Issuer Basic Certificate, the Company makes significant efforts to maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports filed or submitted is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer of the Company, as appropriate, to allow timely decisions regarding required disclosure.

RISK FACTORS

The risks faced by the Company are described in the Company's Annual Management Discussion and analysis under the heading "Risk Factors" which is available for viewing and download on the Company's SEDAR+ profile at www.sedarplus.ca. These business risks should be considered by interested parties when evaluating the Company's performance and its outlook.

SUBSEQUENT EVENTS:

There were no subsequent events.

ADDITIONAL INFORMATION

Other additional information relating to the Company may be found at www.sedarplus.ca.

Toronto, Ontario

February 27, 2025