MTL Cannabis Corp. (formerly Canada House Cannabis Group Inc.)

Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

[Expressed in Canadian dollars]

To the Shareholders of MTL Cannabis Corp. (formerly Canada House Cannabis Group Inc.):

Opinion

We have audited the consolidated financial statements of MTL Cannabis Corp. (formerly Canada House Cannabis Group Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2024 and March 31, 2023, and the consolidated statements of income (loss) and other comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2024 and March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reverse Take Over Transaction

Key Audit Matter Description

As described in Notes 1, 2, 3, and 4 to the consolidated financial statements, on July 28, 2023, the shareholders of Montréal Cannabis Médical Inc. acquired 80% of the rights, title, and interest of the issued and outstanding shares in the capital of Canada House Cannabis Group Inc. The transaction was considered a reverse take over, and constituted a business combination in accordance with IFRS 3 Business Combinations. Therefore, the excess of consideration paid over the net assets acquired was recognized in goodwill.

We considered this to be a key audit matter due to the complexity of the transaction, which included the assessment of the transaction as a reverse take over, the valuation of certain elements in the consideration, the determination of incremental borrowing rate, and the valuation of net assets acquired including complex financial liabilities, building and land, leases, and intangible assets. This resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the audit evidence related to management's estimates, including the involvement of external and internal valuation specialists.

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Audit Response

We responded to this matter by performing procedures in relation to the reverse take over transaction. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and inspected the terms of the share exchange agreement governing the transaction;
- Evaluated management's assessment that the acquisition constituted a reverse acquisition;
- Evaluated the fair value of the consideration transferred;
- With the assistance of the internal valuation specialists, evaluated reasonableness of management's valuation models and tested significant assumptions and inputs;
- With the assistance of internal and external valuation specialists, evaluated the analysis of the fair value of certain assets acquired and liabilities assumed in accordance with IFRS 13 Fair Value Measurements by:
  - Assessing the reasonableness of the methodologies employed by management to estimate the fair value of land and building, intangible assets, convertible debentures, promissory notes and leases, and;
  - Assessing the reasonableness of the incremental borrowing rate;
- With the assistance of internal valuation specialists, evaluated the analysis of the fair value of a share of Canada House Cannabis Group Inc. in accordance with IFRS 13 Fair Value Measurement by:
  - Assessing the reasonableness of the methodologies employed by Management; and
  - Assessing the reasonableness of the discount rate, based on our understanding of the business and review of the underlying financial forecasts; and
- Assessed the appropriateness of the disclosures in the notes to the consolidated financial statements.

Impairment Assessment for Goodwill

Key Audit Matter Description

The Company performs impairment testing on an annual basis, or whenever events or change in circumstances indicate that the carrying value of a cash generating unit ("CGU") might exceed its recoverable amount. The recoverable amount of a CGU is determined using the higher of its value in use and its fair value less costs of disposal. Goodwill was determined to not be impaired as a result of the Company's impairment tests as at March 31, 2024. Refer to Notes 2, 3 and 10 of the consolidated financial statements for further details.

We identified the impairment assessment for goodwill to be a key audit matter. There was a high degree of auditor judgment required, including the involvement of internal valuation specialists, to evaluate the significant assumptions used by management in determining the recoverable amount including, but not limited to, forecasted revenue, gross margin, operating expenses, long-term growth rates, and discount rates. The sensitivity of reasonable changes to the significant assumptions could have a significant impact on the determination of the recoverable amount of the CGUs and the Company's determination of impairment.

Audit Response

We responded to this matter by performing procedures in relation to the impairment assessment for goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the reasonableness of key assumptions established by management, such as forecasted revenue, gross margin, operating expenses long-term growth rates and discount rates, through assessing historical and actual performance and external market and industry data;
- Performed a sensitivity analysis on the key assumptions to assess the impact of reasonable changes on the determination of the recoverable amounts;
- Involved internal valuation specialists with specialized skills and knowledge to evaluate the reasonableness of the Company's impairment model;

- With the assistance of internal valuation specialists, evaluated the reasonableness of the discount rate and other inputs used in the impairment analysis based on industry data and other benchmarks; and
- Assessed the appropriateness of the disclosures in the notes to the consolidated financial statements.

Valuation of Biological Assets and Inventory

Key Audit Matter Description

Biological assets are measured at fair value less costs to sell. Inventory is measured at the lower of cost and net realizable value. In estimating the fair value of biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, expected yield, harvesting costs, selling costs, selling price, and the allocation of indirect costs. In estimating the fair value of final inventory values, management is required to determine an estimate of spoiled or expired inventory. Refer to Notes 2, 3, 6 and 7 of the consolidated financial statements for further details.

We identified valuation of biological assets and inventory as a key audit matter, as a high degree of auditor judgment was required to evaluate the significant assumptions and estimates made by management.

Audit Response

We responded to this matter by performing procedures in relation to the valuation of biological assets and inventory. Our audit work in relation to this included, but was not restricted to, the following:

- Performed a physical observation of the year-end biological assets and inventory, validating the stage of growth of biological assets;
- Performed physical observations of the cannabis production cycle at the Company's facilities throughout the year;
- Tested on a sample basis the value and classification of costs as either harvesting costs, production costs, selling costs, or indirect costs.
- Tested the allocation of indirect costs on a sample basis by assessing the appropriateness of the allocation method, cost drivers and other estimates;
- Evaluated the appropriateness of the selling price per gram by comparing it to market data;
- Evaluated the appropriateness of the expected yield by reperforming weigh-ins of dried grams of cannabis harvested and assessing historical data on yield per plant for each strain;
- Performed sensitivity analyses over unobservable inputs used to determine the fair value of biological assets to assess the impact of changes in those significant unobservable inputs on the Company's determination of fair value;
- Assessed the measurement of inventory by verifying that the inventory was valued at the lower of cost and net realizable value and by assessing the provision for slow-moving inventory based on its age and likelihood of sale;
- Evaluated the reasonableness of the expected net selling prices based on actual sales made and the required costs to sell the inventory; and
- Assessed the appropriateness of the disclosures in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Walter-Armando Gomez Figueroa.

Montréal, Québec

MNP LLP[1]

July 29, 2024

[1] By CPA auditor, public accountancy permit No. A142237

MTL Cannabis Corp.
(formerly Canada House Cannabis Group Inc.)

Consolidated Statements of Financial Position
[expressed in Canadian dollars]

As at	Notes	**March 31, 2024** **$**	March 31, 2023 $
ASSETS			
Current assets			
Cash		**1,352,135**	437,551
Trade and other receivables	5	**6,774,677**	6,328,531
Inventory	6	**8,633,786**	9,169,875
Biological assets	7	**1,550,427**	1,260,189
Prepaid expenses and deposits		**1,874,977**	351,038
		20,186,002	17,547,184
Non-current assets			
Right-of-use assets, net	8	**11,272,904**	10,643,541
Property, plant and equipment, net	9	**17,453,109**	3,554,376
Intangible assets and goodwill, net	10	**22,561,383**	—
TOTAL ASSETS		**71,473,398**	31,745,101
LIABILITIES			
Current liabilities			
Trade and other payables		**14,163,572**	9,023,669
Income taxes payable		**879,478**	987,578
Lease obligations	8	**706,420**	185,804
Notes payable	11	**15,004,518**	6,157,979
Borrowings	12	**2,438,552**	1,460,000
Convertible debentures	13	**1,124,999**	—
		34,317,539	17,815,030
Non-current liabilities			
Lease obligations	8	**12,682,003**	11,576,866
Convertible debentures	13	**4,287,884**	—
Provisions	4	**4,493,000**	—
Deferred tax liability	19	**1,067,300**	812,363
		56,847,726	30,204,259
SHAREHOLDERS' EQUITY			
Share capital	14	**11,075,877**	100
Contributed surplus	14	**4,163,960**	111,430
Retained (deficit) earnings		**(614,165)**	1,429,312
		14,625,672	1,540,842
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**71,473,398**	31,745,101

Commitments and contingencies	20
Subsequent events	24

Approved by the Board of Directors on July 29, 2024:

(Signed) Richard Clément
Director

(Signed) Yves Metten
Director

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

MTL Cannabis Corp.
(formerly Canada House Cannabis Group Inc.)

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
[expressed in Canadian dollars, except number of shares]

For the years ended March 31,	Notes	2024 $	2023 $
Revenue			
Product revenue	18	**79,543,192**	31,259,648
Referral revenue and other	18	**3,520,696**	—
Less: excise tax		**(17,770,219)**	(6,689,610)
		65,293,669	24,570,038
Cost of sales		**35,535,308**	15,810,128
Gross profit before fair value adjustments		**29,758,361**	8,759,910
Fair value adjustments on biological assets	7	**2,845,987**	6,126,189
Fair value adjustments on sale of inventory		**(6,201,313)**	(6,986,307)
Gross profit		**26,403,035**	7,899,792
Operating expenses			
General and administrative	17	**16,821,917**	7,455,299
Sales and marketing		**956,824**	961,392
Amortization and depreciation	8,9,10	**3,949,847**	676,016
Share-based compensation	14	**61,777**	—
		21,790,365	9,092,707
Operating income (loss)		**4,612,670**	(1,192,915)
Finance expense, net	16	**3,490,433**	1,915,982
Other income		**(664,547)**	(313,379)
Income (loss) before income taxes		**1,786,784**	(2,795,518)
Income tax recovery		**(662,739)**	(583,003)
Net income (loss) and comprehensive income (loss) for the year		**2,449,523**	(2,212,515)
Income (loss) per share - basic and diluted	15	**$ 0.026**	$ (0.06)
Weighted average number of common shares outstanding - basic and diluted		**93,963,259**	36,385,589

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

MTL Cannabis Corp.
(formerly Canada House Cannabis Group Inc.)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended March 31, 2024 and 2023

[expressed in Canadian dollars, except number of shares]

	Common shares #	Common shares $	Warrants #	Contributed surplus $	Retained (deficit) earnings $	Total $
Balance as at March 31, 2022	46,152,564	100	—	111,430	3,641,827	3,753,357
Comprehensive loss	—	—	—	—	(2,212,515)	(2,212,515)
Balance as at March 31, 2023	46,152,564	100	—	111,430	1,429,312	1,540,842
Common shares, warrants and options issued in connection with the RTO Transaction (Note 4)	70,844,997	11,075,777	5,978,089	1,377,000	—	12,452,777
Amount payable to the pre-RTO existing MTL Cannabis Corp. shareholders (Note 4)	—	—	—	—	(4,358,000)	(4,358,000)
Remeasurement of amount payable to pre-RTO existing MTL Cannabis Corp. shareholders (Note 4)	—	—	—	—	(135,000)	(135,000)
Transfer of conversion feature liability to contributed surplus (Note 13)	—	—	—	2,740,000	—	2,740,000
Transfer of warrant liability to contributed surplus (Note 13)	—	—	—	310,000	—	310,000
Deferred tax impact of conversion feature and warrant liability (Note 19)	—	—	—	(741,638)	—	(741,638)
Loss on modification of warrants (Note 11)	—	—	—	23,013	—	23,013
Issuance of warrants (Note 13)	—	—	1,739,432	344,155	—	344,155
Comprehensive income	—	—	—	—	2,449,523	2,449,523
Balance as at March 31, 2024	**116,997,561**	**11,075,877**	**7,717,521**	**4,163,960**	**(614,165)**	**14,625,672**

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

MTL Cannabis Corp.
(formerly Canada House Cannabis Group Inc.)

Consolidated Statements of Cash Flows
[expressed in Canadian dollars]

For the year ended March 31,	Notes	2024 $	2023 $
Operating activities:			
Net income (loss) for the year		**2,449,523**	(2,212,515)
Add (deduct) items not affecting cash:			
Deferred tax recovery	19	**(1,690,407)**	(1,468,815)
Amortization and depreciation		**5,230,881**	1,871,508
Inventory impairment provision	6	**705,768**	1,350,064
Change in fair value adjustments on inventory sold		**6,201,313**	6,986,307
Change in fair value of biological assets		**(2,845,987)**	(6,126,189)
Expected credit losses	5	**(475,320)**	1,721,213
Share-based compensation	14	**61,777**	—
Gain on loan forgiveness	12	**(40,000)**	—
Other loss	9	**62,808**	66,790
Finance expense	16	**3,394,528**	1,750,503
		13,054,884	3,938,866
Changes in non-cash working capital items:			
Trade and other receivables		**4,431,325**	(658,890)
Inventory		**(4,618,253)**	(11,927,035)
Biological assets		**2,998,199**	6,372,250
Prepaid expenses and deposits		**(812,351)**	(185,110)
Trade and other payables		**(1,164,824)**	859,665
Income taxes payable		**(108,100)**	885,812
Cash flows provided by (used in) operating activities		**13,780,880**	(714,442)
Investing activities:			
Purchase of property, plant and equipment	9	**(3,229,931)**	(570,930)
Issuance of loans receivable		**—**	(472,159)
Proceeds on sale of property, plant and equipment	9	**4,648**	96,000
Net cash acquired in the RTO Transaction	4	**1,014,345**	—
Cash flows used in investing activities		**(2,210,938)**	(947,089)
Financing activities:			
Proceeds from notes payable	11	**4,995**	5,995,000
Proceeds from borrowings		**—**	200,000
Repayment of notes payable	11	**(4,334,654)**	(2,677,097)
Repayment of borrowings	12	**(2,629,966)**	(300,000)
Repayment of convertible debentures	13	**(1,090,958)**	—
Payment of lease obligations	8	**(2,604,775)**	(1,589,380)
Cash flows (used in) provided by financing activities		**(10,655,358)**	1,628,523
Net change in cash during the year		**914,584**	(33,008)
Cash, beginning of the year		**437,551**	470,559
Cash, end of the year		**1,352,135**	437,551

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

1 Nature of business

MTL Cannabis Corp. (the "Company" or "MTLC"), formerly Canada House Cannabis Group Inc. ("Canada House" or "CHV") up to completion of the Tranche Two Closing, as defined below, was incorporated on September 29, 1982 under the *Company* Act of the Province of British Columbia. The Company's head office and principal place of business is located at 4225 Autoroute Transcanadienne, Pointe-Claire, Québec, Canada, H9R 1B4. The Company's common shares are listed on the Canadian Securities Exchange under the symbol "MTLC". The Company through its subsidiaries, engages in cultivation and production of cannabis products for recreational and medical purposes in Canada. It also operates clinics that work directly with primary care teams to provide specialized cannabinoid therapy services to patients suffering from medical conditions. The company produces various cannabis products, including lines of dried flower and pre-rolls.

These consolidated financial statements ("financial statements") of the Company for the years ended March 31, 2024 and 2023, comprise the results of the Company and its wholly owned subsidiaries Montréal Cannabis Médical Inc. ("MTL Cannabis"), Abba Medix Corp. ("Abba"), Canada House Clinics Inc. ("CHC"), The Longevity Project Corp. ("TLP"), IsoCanMed Inc. ("IsoCanMed"), and Margaree Health Group Inc. ("Margaree").

Reverse Take Over ("RTO") Transaction

On August 9, 2021, Canada House, MTL Cannabis, and the MTL Cannabis shareholders entered into a share exchange agreement. Subsequently, on July 22, 2022, Canada House and MTL Cannabis entered into a restated share exchange agreement (the "Agreement"). Pursuant to the Agreement, Canada House would acquire all of the issued and outstanding shares of MTL Cannabis over two tranches (the "RTO Transaction").

The first stage of the RTO Transaction was completed on August 30, 2022 (the "Tranche One Closing"). The Tranche One Closing resulted in Canada House acquiring 24.99% of the issued and outstanding common shares of MTL Cannabis from the MTL shareholders in exchange for 49.99% of the issued and outstanding common shares of Canada House. Canada House issued 22,779,340 common shares to the shareholders of MTL Cannabis on the Tranche One Closing. Subsequent to the Tranche One Closing, 46,152,564 common shares of Canada House were issued and outstanding.

The second stage of the RTO Transaction was completed on July 28, 2023 (the "Tranche Two Closing"). The Tranche Two Closing resulted in Canada House acquiring the remaining 75.01% of the issued and outstanding shares of MTL Cannabis from the MTL Cannabis shareholders in exchange for 70,713,556 common shares of Canada House, resulting in MTL Cannabis becoming a wholly owned subsidiary of Canada House. Upon completion of the Tranche Two Closing, the existing MTL Cannabis shareholders held a majority of the Canada House outstanding common shares, constituting a reverse take over of Canada House by the shareholders of MTL Cannabis. As a result, the comparative information included herein is solely that of MTL Cannabis. Upon completion of the RTO Transaction, Canada House changed its name to MTL Cannabis Corp.

2 Basis of preparation

Statement of compliance

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

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on July 29, 2024.

Basis of measurement

These financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments measured at fair value on initial recognition and biological assets which are measured at fair value less costs to sell. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* ("IFRS 2"), or value in use in IAS 36 *Impairment of Assets*.

Basis of consolidation

These financial statements comprise the accounts of the Company and its wholly-owned subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Company obtains control and continues to be consolidated until the date when such control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- *Business combinations*

At the time of an acquisition, management uses judgment to determine whether an acquisition is a business combination or an asset acquisition. IFRS 3, *Business Combinations* ("IFRS 3") is only applicable when a business has been acquired.

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 consideration given. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines 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 the discount rate applied.

In cases where there is a reverse takeover, management also uses judgment in the identification of the acquiror in business combinations. A reverse takeover is a business combination in which the legal acquirer becomes the acquiree for accounting purposes and the legal acquiree becomes the acquirer for accounting purposes. The Company considers the guidance in IFRS 10 *Consolidated Financial Statements*, when determining which entity has obtained control for accounting purposes.

- *Determination of cash-generating units*

For the purposes of impairment testing, goodwill acquired through business combinations is allocated to a cash-generating unit ("CGU") or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Significant judgment is involved in determining the smallest group of assets that generates independent cash flows.

- *Goodwill impairment testing*

Goodwill is reviewed annually for impairment. Goodwill impairment testing is performed by comparing the carrying value to its recoverable amount. The recoverable amounts of the cash-generating units were estimated based on the greater of value in use, using a discounted cash flow approach, and fair value less costs to sell. The approach uses cash flow projections based upon a financial forecast approved by management, covering a five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions, identification of cash-generating units, and other events.

- *Estimated useful lives of long-lived assets*

Depreciation of property, plant and equipment and intangible assets is dependent on estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent on estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- *Leases*

Measurement of right-of-use assets and lease liabilities require judgment in determining lease terms, such as assessing the likelihood of exercising extension options and determination of the appropriate discount rate. In the case where an incremental borrowing rate is used, the Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- *Inventories*

Inventories are valued at the lower of cost and net realizable value. The costs of inventory involve estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated. In assessing the recoverability of final inventory values, management compares the inventory cost to estimated net realizable value. Management records a provision to inventory to the extent the cost of inventory exceeds the estimated net realizable value.

- *Valuation of the fair value less costs to sell of biological assets*

In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices and expected yields for the cannabis plants.

- *Trade and other receivables*

The recognition of trade and other receivables requires the Company to assess credit risk and collectability when assessing allowances for expected credit loss. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment. The Company's provision is based on its historical credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment.

- *Convertible debentures*

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

- *Going concern*

At the end of each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern and operate in the normal course by reviewing the Company's performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's assessment are derived from actual operating results along with industry and market trends, and are consistent with those used to evaluate impairment of goodwill and intangible assets as at March 31, 2024.

3 Material accounting policies

[a] Revenue recognition

The Company's accounting policy for revenue recognition under *IFRS 15, Revenue from Contracts with Customers* ("IFRS 15"), is to follow a five-step model to determine the amount and timing of revenue to be recognized by applying the following steps:

i) identify the contract with a customer;
ii) identify the performance obligations in the contract;
iii) determine the transaction price;
iv) allocate the transaction price to the performance obligations in the contract; and
v) recognize revenue when or as the Company satisfies a performance obligation.

Revenue from the sale of cannabis is recognized when the Company transfers control of the good to the customer. This is generally considered to have occurred when products have been delivered to the location specified in the sales contract and accepted by the customer. The Company recognizes deferred revenue when proceeds are received but not earned. Revenue is recognized when the products are transferred to the customer and the Company's performance obligations have been fulfilled. Revenue from referral fees is recognized once the Company's performance obligation is met, which is when the Company consults the patient, and the licensed producer is billed.

The Company recognizes revenue in an amount that reflects the consideration the Company expects to receive taking into account any variation that may result from rights of return, price concessions, price protection and discounts.

Gross revenue includes excise taxes, which the Company pays as principal. Excise taxes are a production tax which becomes payable when a cannabis product is delivered to the customer and are not directly related to the value of the revenue. Excise taxes are netted against gross revenue on the consolidated statements of income (loss) and comprehensive income (loss).

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with resellers and involves judgment based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, management places the most weight on the analysis of whether the Company controls and are responsible for the condition of the goods until they are ultimately sold to the end customer.

Areas of judgment include identifying the customer per the definition within IFRS 15, determining whether control has passed to the customer, and estimating expected returns and variable consideration for discounts.

[b] Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- Financial assets

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (''FVOCI''), or fair value through profit and loss (''FVTPL''). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

  - It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

  The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- Financial liabilities

  The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

  The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

  Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

  The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

- Financial liabilities and equity instruments

  - Classification as debt or equity

    Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

  - Equity instruments

    An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

    Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Classification	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Notes payable	Amortized cost
Borrowings	Amortized cost
Convertible debentures	Amortized cost

- Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade and other receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing a loss allowance based on lifetime expected losses at each reporting date taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its trade and other receivables using the expected credit loss model, and no material difference was noted. The Company applies the general approach when assessing impairment for loans receivable based on the lifetime expected credit losses.

[c] Biological assets

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies consumed throughout the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within "cost of sales" in the consolidated statements of income (loss) and comprehensive income (loss) in the period that the related product is sold. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the consolidated statements of income (loss) and comprehensive income (loss). Biological assets are measured at their fair value less costs to sell on the consolidated statements of financial position.

[d] Inventories

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. Cost is determined using the weighted average or 'First-in First-Out' method. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within "cost of sales" in the consolidated statements of income (loss) and comprehensive income (loss) at the time cannabis is sold, except for realized fair value amounts included in inventory sold, which are recorded as a separate line on the face of the consolidated statements of income (loss) and comprehensive income (loss). Inventory is measured at the lower of cost or net realizable value on the consolidated statements of financial position.

[e] Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in consolidated statements of income (loss) and comprehensive income (loss).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs incurred are charged to the consolidated statements of income (loss) and comprehensive income (loss).

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in the consolidated statements of income (loss) and comprehensive income (loss).

Depreciation is based on the estimated useful lives of the assets provided as follows:

Equipment and supplies	20% declining balance
Computer equipment	30% declining balance
Leasehold improvements	20% declining balance
Buildings	25 years straight-line

An item of property, plant and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. The assets' residual values, useful lives and methods of depreciation and the depreciation charge are adjusted prospectively, if appropriate.

[f] Business combinations

Business combinations are accounted for using the acquisition method. In applying the acquisition method, the Company separately measures at their acquisition-date fair values, the identifiable assets acquired, the liabilities assumed, goodwill acquired and any non-controlling interest in the acquired entity. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement that does not require continued employment services. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition costs in connection with a business combination are expensed as incurred.

Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired at the proportionate share of the recognized net identifiable assets acquired. Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

[g] Intangible assets

The Company's intangible assets largely consist of intangible assets acquired from business combinations. The cost of intangible assets acquired in a business combination is measured based on their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. The Company's has no indefinite life intangible assets.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Amortization of an intangible asset with a finite useful life is recorded using the straight-line method over the estimated useful lives as outlined below:

Customer relationships	4 years
Trade name and trademarks	2 to 5 years
Technology	5 years
License	2 years

[h] Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, and intangible assets, are tested for impairment when there are indicators of impairment which are reviewed at each reporting date or earlier whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Goodwill is not subject to amortization but is assessed for impairment on at least an annual basis and, additionally, whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in net loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

[i] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The ROU assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, unless it has been reduced to zero.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company’s incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset.

[j] Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

[k] Net Income (loss) per Share

Net income (loss) per share is calculated based on the income for the financial year and the weighted average number of common shares outstanding during the year. Diluted net income (loss) per share is calculated using the income or loss for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares that would be anti-dilutive) during the year.

New standards, amendments and interpretations recently adopted by the Company

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The impact of adopting these amendments on the Company’s financial statements was not significant.

IAS 12, Income Taxes (“IAS 12”)

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12). The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The impact of adopting these amendments on the Company’s financial statements was not significant.

New standards, amendments and interpretations not yet adopted by the Company

IAS 1, Presentation of financial statements (“IAS 1”)

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company early adopted these amendments effective April 1, 2023. The impact of adopting these amendments on the Company’s financial statements was not significant.

IFRS 16 – Leases (“IFRS 16”)

In September 2022, the IASB issued amendments to IFRS 16, Leases, which add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

[expressed in Canadian dollars, except share amounts]

IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18")

In April 2024, the IASB issued a new standard IFRS 18, introducing a defined structure for the statement of profit and loss and new specific disclosure requirements to the statement of profit and loss.

The standard is effective for annual reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements.

4 Business combination

Acquisition of Canada House

On July 28, 2023, MTL Cannabis and Canada House completed the RTO Transaction following the Tranche two Closing. Pursuant to the restated share exchange agreement, the MTL Cannabis shareholders acquired 80% of the rights, title and interest in and to all of the issued and outstanding shares in the capital of Canada House. The transaction was assessed to meet the definition of a reverse acquisition per IFRS 3 and the acquisition method was applied. In exchange for the shares in the capital of Canada House, the Company agreed to pay total consideration of $14,280,361, comprised of share consideration of $11,014,000, replacement warrants and options issued with a fair value of $1,377,000, and settlement of the pre-existing relationship for the amount of $1,889,361. The Company issued 5,978,089 replacement warrants and 1,765,000 replacement options. The share consideration was measured at the fair value of the shares that MTL Cannabis would have to issue to the shareholders of Canada House, to give the shareholders of Canada House the same percentage of equity interest in the combined entity that results from the reverse takeover had it taken the legal form of MTL Cannabis acquiring Canada House. Canada House issued 22,779,340 common shares to the shareholders of MTL Cannabis on the Tranche One Closing, and 70,713,556 common shares to the shareholders of MTL Cannabis on the Tranche Two Closing.

The fair value of the replacement warrants and options were assessed using a combination of a Monte Carlo analysis and Black-Scholes option pricing model. Key assumptions used in both models were a share price of $0.47, estimated volatility of 95% and a risk-free rate of 4.0%.

The settlement amount of pre-existing relationships was determined by reviewing the net balance of the outstanding receivables and payables between MTL Cannabis and Canada House.

The allocation of the fair value of the purchase price to the identifiable assets acquired and liabilities assumed as at the date of the acquisition is as follows:

	$
Share consideration	11,014,000
Replacement warrants and options	1,377,000
Settlement of pre-existing relationships	1,889,361
Total consideration	**14,280,361**
Cash	1,014,345
Trade and other receivables	6,291,512
Prepaid expenses and deposits	711,588
Inventory	1,661,663
Biological assets	442,450
Property, plant and equipment	12,021,410
Right-of-use assets, net	2,035,501
Intangible assets, net	12,590,000
Trade and other payables	(6,304,727)
Lease liability	(2,035,501)
Notes payable	(10,875,572)
Borrowings	(3,409,286)
Convertible debentures	(5,861,366)
Financial instrument liabilities	(5,400,000)
Deferred tax liability	(1,203,706)
Fair value of net assets acquired	**1,678,311**
Goodwill	**12,602,050**

[expressed in Canadian dollars, except share amounts]

From the date of acquisition, Canada House contributed $17,499,470 of net revenue and $1,957,045 of loss to net income for the year ended March 31, 2024.

Goodwill arising on the acquisition reflects the benefits attributable to synergies, revenue growth and future market development. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets. The goodwill is not deductible for income tax purposes.

Amount payable to the pre-RTO existing shareholders of MTL Cannabis

As a part of the acquisition of Canada House on July 28, 2023, an amount was payable to the pre-RTO existing shareholders of MTL Cannabis if certain revenue targets are achieved during the first and second twelve months following the Tranche Two Closing. The maximum amount payable to the pre-RTO existing shareholders of MTL Cannabis is $5,000,000. The Company uses a scenario-based model to independently assess individual earn-outs and calculate the best estimate of the earn-out based on probabilities of success attributable to each individual scenario in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The provision of the amount payable was determined to be $4,358,000. The Company determined that the obligation was not part of the RTO Transaction under *IFRS 3 – Business Combinations*. The provision is recorded as a liability on the consolidated statements of financial position and a charge to retained earnings for distribution of equity to pre-RTO existing shareholders within the consolidated statement of changes in shareholders' equity. During the year ended March 31, 2024, the Company recognized $135,000, in the consolidated statement of changes in shareholder's equity, for accretion of the amount payable to the shareholders of MTL Cannabis. As at March 31, 2024, the total provision was $4,493,000.

Acquisition costs in connection with the RTO Transaction are expensed as incurred and recorded within the line item 'General and administrative' expense. During the year ended March 31, 2024, the Company incurred total transaction costs of $232,905. The Company also recognized an expense of $61,777 as share-based compensation expense relating to 131,441 common shares issued for services in connection with the RTO Transaction. The common shares were valued at a price of $0.47 per common share.

5 Trade and other receivables

The Company's trade and other receivables include the following:

	March 31, 2024	March 31, 2023
	$	$
Trade receivables (Note 23)	**6,802,735**	6,989,468
SR&ED receivables	**86,116**	74,094
Sales tax receivables	**110,935**	—
Other receivables	**34,602**	—
Less: expected credit losses	**(259,711)**	(735,031)
	6,774,677	6,328,531

Loan receivables

The Company advanced proceeds of $1,000,000 to Canada House Cannabis Group Inc ("CHV") during the year ended March 31, 2022. The loan accrued interest at a rate of 3% per annum. The Company also entered into a loan agreement with IsoCanMed Inc. ("ICM"), a wholly owned subsidiary of CHV, and advanced total proceeds of $400,000. The proceeds were being used by ICM to retrofit its production facilities. During the year ended March 31, 2023, the Company advanced an additional $472,159 to ICM. During the year ended March 31, 2023, the Company also converted $1,010,641 of outstanding trade receivables due from ICM to a loan receivable.

As of March 31, 2023, the Company assessed the likelihood of realization of the CHV and ICM loans receivable, underlying collateral, and current and future economic trends and provided an allowance in full of $2,907,252. The loss was recognized in the consolidated statements of income (loss) and comprehensive income (loss) in the financial statement line item 'General and administrative'. The loss is included within 'General operating costs' (Note 17). On closing of the RTO Transaction, the loan receivables balance and provision was included as a part of the settlement of pre-existing relationships (Note 4).

[expressed in Canadian dollars, except share amounts]

For trade receivables and loan receivables, changes in allowance for credit losses was as follows:

	March 31, 2024	March 31, 2023
	$	$
Opening balance	**3,642,283**	1,921,070
(Reduction) addition in allowance for credit losses	**(475,320)**	1,721,213
Settlement of loans receivable	**(2,907,252)**	—
Closing balance	**259,711**	3,642,283

6 Inventory

The Company's inventory consists of the following:

	March 31, 2024	March 31, 2023
	$	$
Inventory – Work in process	**6,582,187**	10,266,930
Inventory – Finished goods	**4,355,396**	1,150,650
Carrying value	**10,937,583**	11,417,580
Less: provision	**(2,303,797)**	(2,247,705)
	8,633,786	9,169,875

During the year ended March 31, 2024, the Company expensed $32,986,487 of inventory in cost of sales (2023 – $13,241,135). Included in the amount of inventory expensed to cost of sales is $1,281,304 (2023 – $1,195,492) of depreciation. During the year ended March 31, 2024, the Company recorded $705,768 (2023 – $1,350,064) of inventory write-downs that were included in cost of sales. During the year ended March 31, 2024, the Company recorded $nil of inventory impairment reversals that were included as a reduction to cost of sales (2023– $nil).

As of March 31, 2024, the carrying value of inventory includes $620,933 of inventoried depreciation costs (March 31, 2023 – $519,613).

7 Biological assets

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	$
Balance – March 31, 2022	1,506,250
Production costs capitalized	4,317,702
Changes in fair values less costs to sell due to biological transformation	6,126,189
Transferred to inventory upon harvest	(10,689,952)
Balance – March 31, 2023	1,260,189
RTO Transaction (Note 4)	442,450
Production costs capitalized	7,110,219
Changes in fair values less costs to sell due to biological transformation	2,845,987
Transferred to inventory upon harvest	(10,108,418)
Balance – March 31, 2024	**1,550,427**

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, the expected selling price per gram and the expected costs to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

[expressed in Canadian dollars, except share amounts]

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase or decrease in each input would have on the fair value of biological assets at period end:

		As at March 31, 2024		As at March 31, 2023	
	Assumption:	**Input**	**10% change**	**Input**	**10% change**
i	Weighted average of expected loss of plants until harvest [a]	6%	$9,940	9%	$13,007
ii	Expected yields (dry grams of cannabis per plant) [b]	548 grams of dry flower	$155,042	527 grams of dry flower	$126,019
iii	Weighted average number of growing weeks completed as a percentage of total growing weeks as at year-end	42%	$155,042	53%	$126,019
iv	Estimated selling price (per gram) [c]	$1.76 per gram dried flower	$299,732	$2.06 per gram dried flower	$200,996
v	After harvest cost to complete and sell (per gram)	$0.87 per gram dried flower	$144,690	$0.77 per gram dried flower	$74,977

[a] Weighted average of expected loss of plants until harvest represents loss of plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[b] Expected average yields for cannabis plants vary based on the mix of strains and number of plants existing at each reporting date.

[c] The estimated selling price per gram represents the actual average sales price for the Company's strains sold as bulk products.

The Company estimates the harvest yields for cannabis at various stages of growth. As of March 31, 2024, it is expected that the Company's biological assets will yield approximately 4,153,916 (March 31, 2023 – 1,855,123) grams of dry cannabis flower when harvested. The fair value adjustments on biological assets are presented separately on the consolidated statements of income (loss) and comprehensive income (loss).

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

8 Leases

Right-of-use asset

Cost	**$**
Balance – March 31, 2022	6,655,899
Additions	40,591
Modifications	6,490,574
Balance – March 31, 2023	13,187,064
RTO Transaction (Note 4)	2,035,501
Balance – March 31, 2024	**15,222,565**
Accumulated depreciation	
Balance –March 31, 2022	1,577,144
Depreciation	966,379
Balance – March 31, 2023	2,543,523
Depreciation	1,406,138
Balance – March 31, 2024	**3,949,661**
Net Balance – March 31, 2023	10,643,541
Net Balance – March 31, 2024	**11,272,904**

[expressed in Canadian dollars, except share amounts]

Lease obligations

	$
Balance – March 31, 2022	5,875,987
Additions	40,591
Interest accretion	944,898
Lease repayments	(1,589,380)
Modifications	6,490,574
Balance – March 31, 2023	11,762,670
RTO Transaction (Note 4)	2,035,501
Interest accretion	2,195,027
Lease payments	(2,604,775)
Balance – March 31, 2024	**13,388,423**
Current	**706,420**
Non-current	**12,682,003**

The Company's right-of-use assets and lease obligations relate to the Company's warehouse and office premises. On closing of the RTO Transaction, the Company also acquired leases related to a licensed cultivation facility and clinics. During the year ended March 31, 2024, the Company allocated $818,183 (2023 – $265,542) of depreciation expense to the production of biological assets and inventory. During the year ended March 31, 2024, the Company allocated $823,044 (2023 – $35,734) of depreciation expense to cost of sales.

The following table sets out a maturity analysis of the leases payments payable, showing the undiscounted lease payments to be paid on an annual basis, reconciled to lease obligation.

	$
Less than one year	2,906,308
One to two years	2,959,221
Two to three years	2,913,427
Three to four years	2,896,156
Thereafter	14,199,993
Total undiscounted lease payments payable	25,875,105
Less: impact of present value	12,486,682
Balance – March 31, 2024	**13,388,423**

The Company also received rental income of $401,637 during the year ended March 31, 2024 (2023 – $nil) relating to the short-term rental of unused warehouse facilities, which has been included in general and administrative expenses on the consolidated statement of income (loss) and comprehensive income (loss).

On March 30, 2023, the Company modified its lease agreement on its head office at 4225 Transcanadienne Highway. The modification extended the maturity date from September 30, 2025 to March 31, 2033, and increased the monthly payments. The Company determined that this modification did not result in a new lease. As a result of the modification, the Company remeasured the lease liability by discounting the revised lease payments using a revised discount rate, and made a corresponding increase to its right-of-use asset in the amount of $3,621,294. The leased premises is owned by a company controlled by the Chief Cultivation Officer and the Chief Operating Officer.

On March 30, 2023, the Company modified its lease agreement on its production facility at 815 Tecumseh Ave. The modification extended the maturity date from March 31, 2030 to March 31, 2033, increased the monthly payments, and added additional leased space that has a commencement date of April 1, 2024. As a result of the modification, the Company remeasured the lease liability by discounting the revised lease payments using a revised discount rate and made a corresponding increase to the ROU asset in the amount of $2,869,280. The leased premises is owned by a company controlled by the Chief Cultivation Officer and the Chief Operating Officer.

For its leased premises, the Company hypothecates all of its equipment and other moveable effects to its landlord up to the market value equivalent of one years' rent as security against the lease obligation.

[expressed in Canadian dollars, except share amounts]

9 Property, plant and equipment

	Equipment and supplies	Computer equipment	Leasehold improvements	Building	Land	Total
	$	$	$	$	$	$
Cost						
Balance, March 31, 2022	5,753,062	21,824	16,500	—	—	5,791,386
Additions	374,594	8,646	55,979	—	—	439,219
Disposals	(73,199)	—	—	—	—	(73,199)
Balance, March 31, 2023	6,054,457	30,470	72,479	—	—	6,157,406
RTO Transaction (Note 4)	694,315	109,132	416,017	10,179,989	621,957	12,021,410
Additions	1,002,217	31,664	384,742	1,811,308	—	3,229,931
Disposals	(70,942)	(2,253)	—	—	—	(73,195)
Balance, March 31, 2024	7,680,047	169,013	873,238	11,991,297	621,957	21,335,552
Accumulated depreciation						
Balance, March 31, 2022	1,737,952	3,948	1,375	—	—	1,743,275
Depreciation	892,435	6,945	4,364	—	—	903,744
Disposals	(43,989)	—	—	—	—	(43,989)
Balance, March 31, 2023	2,586,398	10,893	5,739	—	—	2,603,030
Depreciation	808,571	35,809	59,998	380,774	—	1,285,152
Disposals	—	—	(5,739)	—	—	(5,739)
Balance, March 31, 2024	3,394,969	46,702	59,998	380,774	—	3,882,443
Carrying value						
Balance, March 31, 2023	3,468,059	19,577	66,740	—	—	3,554,376
Balance, March 31, 2024	**4,285,078**	**122,311**	**813,240**	**11,610,523**	**621,957**	**17,453,109**

During the year ended March 31, 2024, the Company allocated $1,053,944 (2023 – $908,276) of depreciation expense to the production of biological assets and inventory. During the year ended March 31, 2024, the Company recognized a loss on disposal of $62,808 (2023 – gain of $66,790) and impairment of $nil (2023 – $nil) in other (income) loss.

10 Intangible assets and goodwill

	Customer relationships	License	Technology	Trademarks and brand	Goodwill	Total
Cost	$	$	$	$	$	$
Balance, March 31, 2023	—	—	—	—	—	—
RTO Transaction (Note 4)	8,040,000	3,340,000	390,000	820,000	12,602,050	25,192,050
Balance, March 31, 2024	**8,040,000**	**3,340,000**	**390,000**	**820,000**	**12,602,050**	**25,192,050**
Accumulated depreciation						
Balance, March 31, 2023	—	—	—	—	—	—
Depreciation	1,340,000	1,113,333	52,000	125,334	—	2,630,667
Balance, March 31, 2024	**1,340,000**	**1,113,333**	**52,000**	**125,334**	**—**	**2,630,667**
Carrying Value						
Balance, March 31, 2023	—	—	—	—	—	—
Balance, March 31, 2024	**6,700,000**	**2,226,667**	**338,000**	**694,666**	**12,602,050**	**22,561,383**

For the purpose of impairment testing, goodwill is tested at the CGU level, which comprises of the Company's 'Licensed producers', and the Canada House Clinics. The Company performs an assessment for goodwill impairment as of March 31 of each year and whenever there is an indication of impairment. The valuation techniques, significant assumptions and sensitivities applied in the goodwill impairment test are described below.

[expressed in Canadian dollars, except share amounts]

The recoverable amount was determined using the fair value less costs of disposal approach. Under the fair value less costs of disposal approach, the recoverable amount of each respective CGU is calculated based on the present value of expected cash flows expected to be derived from the respective CGUs.

To calculate the fair value less costs of disposal of the Licensed producers CGU and Canada House Clinics CGU, the Company used a post-tax discount rate of 27% (Canada House Clinics – 27%), a pre-tax discount rate of 39% (Canada House Clinics – 37%), a terminal growth rate of 3% (Canada House Clinics – 3%), and EBITDA projections based on past experience, and management's best estimates regarding future revenue growth considering internal and external available information. For the year ended March 31, 2024, the Company concluded that the recoverable amount of each CGU was higher than its carrying value, and accordingly, no goodwill impairment charge was recognized.

The Company performed sensitivities of key assumptions used in the impairment test and determined that the impact of reasonable changes in inputs would not be significant.

11 Notes payable

The following table presents the notes payable for the Company:

	March 31, 2024	March 31, 2023
	$	$
Due to related parties [i]	**4,765,975**	6,157,979
Promissory notes [ii]	**10,238,543**	—
Total notes payable	**15,004,518**	6,157,979
Current	**15,004,518**	6,157,979
Non-current	**—**	—

[i] Due to related parties

Notes payable are due to certain related parties of the Company. The notes payable bear interest at 17% per annum and are unsecured. As of March 31, 2024, $4,765,975 (March 31, 2023 – $6,157,979) of notes payable were due on demand.

	March 31, 2024	March 31, 2023
	$	$
Balance – Beginning of year	**6,157,979**	2,041,820
Advances	**4,995**	5,995,000
Interest expense	**937,655**	798,256
Repayments	**(2,334,654)**	(2,677,097)
Balance – End of year	**4,765,975**	6,157,979
Current	**4,765,975**	6,157,979
Non-current	**—**	—

[ii] Promissory notes

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed three promissory notes (the "ISO Promissory Notes") each with a principal value of $4,167,667, for an aggregate amount of $12,500,000, bearing interest at 5% payable annually. The maturity dates of the three promissory notes are December 12, 2023, June 12, 2024, and December 12, 2024. The promissory note maturing on December 12, 2024, is held with a related party (Note 21). Until maturity, the principal amount of $666,667 of each note may be converted into common shares of the Company, at the option of the noteholder, at a conversion price of $1.50. The promissory notes are secured by a general security agreement registered against the assets of IsoCanMed, and subordinate the mortgage payable (Note 12). On closing of the RTO Transaction, the Company determined that the fair value of the ISO Promissory Notes was $10,875,572.

As a part of the RTO Transaction, the Company also issued 333,333 replacement warrants to each noteholder for an aggregate issuance of 999,999 replacement warrants. The warrants had an exercise price of $1.20 and were exercisable up to August 30, 2025. The fair value of these replacement warrants were included as a part of the purchase consideration (Note 4).

[expressed in Canadian dollars, except share amounts]

On December 11, 2023, the Company and one of the noteholders agreed to amend one of the promissory notes (the "Amended ISO Promissory Note"). The Amended ISO Promissory note extended the maturity date from December 12, 2023 to April 30, 2024. In exchange for the extension, the Company repaid $1,000,000 of the outstanding principal of the promissory note and amended the terms of outstanding warrants. The exercise price of 333,333 warrants issued in conjunction with the ISO Promissory Notes were reduced from $1.20 per common share to $0.66 per share. The warrants were also amended to include a clause where, if the closing price of the common shares for ten consecutive trading days exceeds $0.825 per Share (the "Accelerated Period"), the expiry date of the Warrants will be automatically accelerated without any further action on the part of the Company or the holder of the Warrants to a date that is 30 days following the end of the Accelerated Period.

The Company determined that the Amended ISO Promissory note was a substantial modification. Therefore, the Company extinguished the existing debt of $3,244,863 and recognized new debt with a fair value of $3,035,956. The Company recognized the gain on extinguishment of $208,907, recorded in the line-item finance expense, net in the consolidated statements of income (loss) and comprehensive income (loss).

The Company also determined that the exercise price of the modified warrants will remain fixed after modification. Therefore, the warrants will remain classified as equity. The Company recorded a loss on modification of $23,013 on remeasurement of the warrants, recorded in the line-item finance expense, net in the consolidated statements of income (loss) and comprehensive income (loss).

	March 31, 2024
	$
Balance – Beginning of period	**—**
RTO Transaction (Note 4)	**10,875,572**
Interest expense	**1,571,878**
Repayments	**(2,000,000)**
Gain on extinguishment	**(208,907)**
Balance – End of period	**10,238,543**
Current	**10,238,543**
Non-current	**—**

12 Borrowings

The following table presents the borrowings for the Company:

	March 31, 2024	**March 31, 2023**
	$	**$**
Biofloral Loan [i]	**—**	1,400,000
Canada Emergency Business Account Loan I [ii]	**—**	60,000
Canada Emergency Business Account Loan II [iii]	**—**	—
Mortgage payable [iv]	**2,094,364**	—
Unsecured loan [v]	**344,188**	—
Debenture [vi]	**—**	—
Total borrowings	**2,438,552**	1,460,000
Current	**2,438,552**	1,460,000
Non-current	**—**	—

[i] Biofloral Loan

In July 2019, the Company entered into a $1,500,000 loan agreement for a three-year term with 9204-2761 Québec Inc. ("Biofloral"), an unrelated party**.** In April 2022, Biofloral provided additional funding of $200,000, at the same terms. Both parties also agreed to extend the maturity date beyond July 2022 on a month-to-month basis. The loan is secured against the Company's equipment. The loan accrued interest at 7% for the first 24 months and 10% thereafter. The Company is required to remit monthly payments of interest with principal balance due at maturity. During the year ended March 31, 2024, the Company repaid $1,400,000 of the principal balance. The loan is classified at amortized cost and accounted for using the effective interest rate method. During the year ended March 31, 2024, the Company incurred $38,781 of interest expense (2023 – $165,479). The loan was repaid on July 17, 2023.

[expressed in Canadian dollars, except share amounts]

	March 31, 2024	March 31, 2023
	$	$
Balance – Beginning of year	**1,400,000**	1,500,000
Interest expense	**38,781**	165,479
Repayments	**(1,438,781)**	(265,479)
Balance – End of year	**—**	1,400,000

[ii] Canada Emergency Business Account Loan

The Company received $40,000 in May 2020 and $20,000 in December 2020 through the Canada Emergency Business Account program ("CEBA"). The loans are non-interest bearing. The CEBA was launched by the government of Canada in response to the global COVID-19 health crisis. On January 12, 2022, the forgiveness repayment date on CEBA loans was extended to December 31, 2023, for eligible CEBA loan holders in good standing. If the loans are repaid in full by December 31, 2023, $20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, it will be converted into a 3-year term loan bearing interest at 5%, maturing on December 31, 2025.

The loan was classified at amortized cost and accounted for using the effective interest rate method. The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan is recognized at fair value using the Company's incremental borrowing rate of 17%. The difference between the initial carrying amount and the proceeds received of $20,229 was recognized as a government grant. During the year ended March 31, 2024, the Company incurred $nil of interest expense (2023 – $7,349). On December 28, 2023, the Company repaid $40,000 of the loan and the remaining $20,000 was forgiven. The Company recognized a gain on forgiveness of $20,000, recorded in the line-item "other (loss) income" in the consolidated statements of income (loss) and comprehensive income (loss).

[iii] Canada Emergency Business Account Loan Two

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed additional CEBA loans of $80,000. The loans are due by December 31, 2024, and bear interest at 5% per annum starting from January 1, 2024, payable at maturity. Repaying the balance of the loans on or before December 31, 2023, will result in loan forgiveness of 25 percent. On December 28, 2023, the Company repaid $60,000 of the loan and the remaining $20,000 was forgiven. The Company recognized a gain on forgiveness of $20,000, recorded in the line-item "other (loss) income" in the consolidated statements of income (loss) and comprehensive income (loss).

[iv] Mortgage payable

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed a mortgage payable balance (the "Mortgage") for an aggregate principal of $2,000,000, bearing interest at 12% per annum. The Mortgage is secured by the property and assets of the Company's wholly owned subsidiary, IsoCanMed, in Louiseville, Quebec, and is subject to monthly interest-only installments of $11,667, with the principal amount and accrued interest due on January 1, 2024. On closing of the RTO Transaction, the Company determined that the fair value was $2,058,334.

On December 20, 2023, the Company and lender entered into an amended mortgage agreement (the "Amended Mortgage"). The Amended Mortgage delayed repayment of the principal and accrued and outstanding interest from January 1, 2024 to January 1, 2025. Under the terms of the Amended Mortgage, the interest rate was increased from 12% to 13.25% per annum, payable monthly beginning February 1, 2024.

The Company incurred cash transaction costs of $30,000 which are being amortized as accretion expense over the term of the Amended Mortgage. The amortization of transaction costs is included in the line-item 'finance expense, net' in the consolidated statements of income (loss) and comprehensive income (loss). As a result of the Amended Mortgage, the Company recognized a loss on modification of $39,770, recorded in the line-item finance expense, net in the consolidated statements of income (loss) and comprehensive income (loss).

During the year ended March 31, 2024, the Company incurred $192,305 of interest expense (2023 – $nil) and paid $116,505 (2023 – $nil).

[expressed in Canadian dollars, except share amounts]

[v] Unsecured loan

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed a three-year unsecured loan provided by a vendor, bearing interest at 2% per annum, payable annually. The loan matured on October 31, 2021 and is still due on demand.

On closing of the RTO Transaction, the Company determined that the fair value was $340,010, comprised of the principal amount of $313,000 and accrued but unpaid interest of $27,010. During the year ended March 31, 2024, the Company incurred $4,178 of interest expense (2023 – $nil).

[vi] Debenture

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed a secured debenture to DMBB (Pty) Holdings Ltd. in the principal amount of $700,000, with accrued interest of $230,942 (the "Debenture"). The Debenture bears interest at 18% per annum, payable at maturity. The Debenture matures in October 2023.

The Company determined that the fair value was $930,942. During the year ended March 31, 2024, the Company incurred $43,738 of interest expense (2023 – $nil).

On September 29, 2023, the Company repaid the outstanding principal and accrued interest of $974,680.

13 Convertible debentures

Change of the carrying value of the convertible debentures are as follows:

	2017 Debentures (i)	Archerwill Debenture (ii)	Total
	$	$	$
Balance as at March 31, 2023	—	—	—
RTO transaction (Note 4)	607,000	5,254,366	5,861,366
Interest accretion expense	55,958	586,517	642,475
Repayments	(90,958)	(1,000,000)	(1,090,958)
Balance as at March 31, 2024	**572,000**	**4,840,883**	**5,412,883**
Current	**572,000**	**552,999**	**1,124,999**
Non-current	**—**	**4,287,884**	**4,287,884**

(i) 2017 Debentures

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed unsecured convertible debentures with an outstanding balance of $607,000 (the "2017 Debentures"). Each 2017 Debentures unit comprises a principal amount of $1,000 and bears interest at a range of 8.5% to 18% per annum, payable monthly. As of July 28, 2023, the 2017 Debentures are due on demand and are no longer convertible.

The Company determined that the fair value of the 2017 Debentures was $607,000. During the year ended March 31, 2024, the Company incurred $55,958 of interest expense (2023 – $nil).

(ii) Archerwill Debenture

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed a secured convertible debenture for gross proceeds of $6,500,000 (the "Archerwill Debenture"). The Archerwill Debenture bears interest at 8% per annum. The Archerwill Debenture may be converted into common shares at the lower of $0.90 and the volume weighted average trading price of the Common Shares of the Company over the first 20 trading days following the resumption of trading of the Common Shares on the Canadian Securities Exchange ("CSE"), subject to a minimum price of $0.50. The Archerwill Debenture is convertible into shares or payable in cash at maturity, at the option of the lender. Unless converted earlier, the Archerwill Debenture matures on August 8, 2027. The Archerwill Debenture is secured by a first ranking security over all present and after-acquired property.

The Archerwill Debenture also contains a repayment clause where for each $1.00 paid towards principal or accrued interest of notes payable, $0.50 shall be paid towards the ISO Promissory Notes (Note 11), $0.25 shall be paid towards the notes payable to certain related parties (Note 11), and $0.25 shall be paid towards the Archerwill Debenture. Any repayment shall first be credited to any accrued and unpaid interest. In addition, for each repayment made, the Company must issue the number of warrants equal to the repayment amount divided by the conversion price of $0.57.

[expressed in Canadian dollars, except share amounts]

In conjunction with the Archerwill Debenture, the Company issued 4,333,333 common share purchase warrants (the "Archerwill Debenture Warrants"), exercisable until August 5, 2027 at the lower of $1.20 and 130% of the volume weighted average trading price ("VWAP") of the Common Shares of the Resulting Issuer over the first 20 trading days following the resumption of trading of the Common Shares on the Canadian Securities Exchange ("CSE"). On September 18, 2023, 60% or 2,600,000 of the Archerwill Debenture Warrants were cancelled as the 20 day VWAP of Common Shares following the resumption of trading on the CSE was less than $0.65 per common share.

On closing of the RTO Transaction (Note 4), the Company determined that the fair value of the host debt instrument, the conversion option derivative, and warrant liability was $5,254,366, $4,843,000, and $557,000 respectively. The fair value of the conversion feature and warrants were assessed using a combination of a Monte Carlo analysis and Black-Scholes model. Key assumptions used in both models were a share price of $0.47, estimated volatility of 95% and a risk-free rate of 4.0%. The fair value of the host debt instrument was fair valued based on a discount rate of 22%.

After the first 20 trading days following the resumption of trading, the conversion option derivative and warrant liability met the criteria for equity classification on September 18, 2023. In accordance with IAS 32, the conversion option derivative and the remaining 1,733,333 Archerwill Debenture Warrants were reclassed into equity at the remeasured fair value on September 18, 2023.

As at September 18, 2023, the Company determined the fair value of the conversion option derivative, and warrant liability as $2,740,000, and $310,000 respectively. The fair value of the conversion feature and warrants were assessed using a combination of a Monte Carlo analysis and Black-Scholes model. Key assumptions used in both models were a share price of $0.31, an exercise price of $0.57 for options, an exercise price of $0.74737 for warrants, estimated volatility of 105% and a risk-free rate of 4.1%. The gain of $2,350,000 was recorded in the line item 'Finance expense, net'.

On December 22, 2023, January 31, 2024, and March 13, 2024, the Company repaid an aggregate of $1,000,000 towards the Archerwill Debenture, resulting in the issuance of 1,739,432 warrants (the "Archerwill Prepayment Warrants"). The Archerwill Prepayment Warrants expire on August 5, 2027. The fair value of the Archerwill Prepayment Warrants was assessed using the Black-Scholes model. Key assumptions used in the model were a share price of $0.27 - $0.435, an exercise price of $0.57, estimated volatility of 95%, an expected life of 3.4 – 3.62 years, and a risk-free rate of 3.85%. The fair value of $344,155 was recorded in the line item 'Finance expense, net'.

14 Share capital

(a) Authorized

The Company has authorized capital consisting of an unlimited number of common shares with no par value.

(b) Issued and outstanding

	Common shares	
	#	$
Balance – March 31, 2023	46,152,564	100
Shares issued pursuant to Tranche Two Closing (Note 4)	70,713,556	11,014,000
Shares issued for services (Note 4)	131,441	61,777
Balance – March 31, 2024	**116,997,561**	**11,075,877**

(c) Warrants

On July 28, 2023, as a result of the RTO Transaction (Note 4), the Company issued replacement warrants for all warrants issued and outstanding of Canada House at the time of the Tranche Two Closing. The replacement warrants were issued on the same terms, except they were exercisable into common shares of MTL Cannabis Corp., rather than Canada House. Each warrant converts into one common share of the Company on exercise. The fair value of the replacements warrants in MTL Cannabis Corp. was included as a part of the total purchase consideration (Note 4).

[expressed in Canadian dollars, except share amounts]

The changes in the numbers of warrants outstanding during the year ended March 31, 2024 were as follows:

	Number of warrants	**Weighted average exercise price**
	#	**$**
Outstanding as at March 31, 2023	—	—
RTO Transaction (Notes 4 and 13)	5,978,089	1.20
Warrants issued (Note 13)	1,739,432	0.57
Outstanding as at March 31, 2024	**7,717,521**	**1.06**

The following table is a summary of the Company's warrants outstanding as at March 31, 2024:

Expiration date	**Warrants outstanding**	**Weighted average exercise price**
	#	**$**
August 30, 2025	666,666	1.20
August 30, 2025	333,333	0.66
December 31, 2026	3,244,757	1.50
August 5, 2027	1,733,333	0.75
August 5, 2027	1,739,432	0.57
	7,717,521	**1.06**

(d) Stock options

The Company has a stock option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

On July 28, 2023, as a result of the RTO Transaction (Note 4), the Company issued replacement stock options for all options issued and outstanding of Canada House at the time of the Tranche Two Closing. The replacement stock options were issued on the same terms, except they were exercisable into common shares of MTL Cannabis Corp., rather than Canada House. Each stock option converts into one common share of the Company on exercise. No amounts were paid or payable by the individuals on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The fair value of the replacement's options in MTL Cannabis Corp. was included as a part of the total purchase consideration (Note 4).

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the Common Shares that are outstanding unless the Board of Directors shall have increased such limit by a resolution of the Board. In addition, the aggregate number of Common Shares so reserved for issuance to one person may not exceed 5% of the total then issued and outstanding. If any options terminate, expire, or are cancelled, the number of options so terminated, expired or cancelled shall again be available under the plan.

The changes in the number of stock options during the year were as follows:

	2024		2023	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Options outstanding, beginning of year	—	—	—	—
Options replaced (Note 4)	**1,765,000**	**1.26**	—	—
Options expired	**(910,834)**	**1.50**		
Options outstanding – March 31	**854,166**	**1.00**	—	—
Options exercisable – March 31	**854,166**	**1.00**	—	—

[expressed in Canadian dollars, except share amounts]

The following table is a summary of the Company's share options outstanding as at March 31, 2024:

Options outstanding			Options exercisable	
Exercise price	Number outstanding	Weighted average remaining contractual life [years]	Weighted average exercise price	Number exercisable
$	#	#	$	#
0.63	500,000	4.41	0.63	500,000
1.50	350,833	1.63	1.50	350,833
4.80	3,333	0.06	4.80	3,333
	854,166	**3.25**	**1.00**	**854,166**

15 Earnings per share

The Company presents basic and diluted EPS data for its shares. Basic EPS is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting net (loss) income and the weighted average number of common shares outstanding, for the effects of all dilutive potential shares.

	For the year ended March 31,	
	2024	**2023**
	$	**$**
Net income (loss) for the year	**2,449,523**	(2,212,515)
Weighted average number of shares for basic EPS	**93,963,259**	36,385,589
Basic and diluted EPS	**0.026**	(0.061)

The Company has three categories of potentially dilutive securities: convertible debentures, warrants and stock options. Basic and diluted loss per share were the same for the year ended March 31, 2024 and 2023, as the exercise of any potentially dilutive instruments would be anti-dilutive.

16 Finance expense

Finance expense for the years ended March 31, 2024 and 2023 consists of the following:

	For the years ended March 31,	
	2024	**2023**
	$	**$**
Interest on lease obligations (Note 8)	**2,195,027**	944,898
Interest on notes payable (Note 11)	**2,509,533**	798,256
Interest on borrowings (Note 12)	**279,002**	172,828
Interest on convertible debentures (Note 13)	**642,475**	—
Fair value gain on financial liabilities (Note 13)	**(2,350,000)**	—
Gain on modification of mortgage payable (Note 12)	**(39,770)**	—
Gain on extinguishment of notes payable (Note 11)	**(208,907)**	—
Incremental fair value of warrants modified (Note 11)	**23,013**	—
Warrants issued (Note 13)	**344,155**	—
Other finance expense	**95,905**	—
	3,490,433	1,915,982

[expressed in Canadian dollars, except share amounts]

17 Nature of expenses

General and administrative expenses for the years ended March 31, 2024 and 2023 consists of the following:

	For the years ended March 31,	
	2024	**2023**
	$	**$**
Salaries, wages and benefits	**9,037,789**	2,975,428
General operating	**4,345,011**	2,966,126
Occupancy expense (recovery)	**(449)**	—
Professional fees	**3,439,566**	1,513,745
	16,821,917	7,455,299

18 Segmented information

The Company reports segment information based on internal reports used by the Chief Operating Decision makers (“CODM”) to make operating and resource decisions and to assess performance. The CODM is represented by the Chief Executive Officer, Chief Operating Officer, Chief Cultivation Officer, and Chief Financial Officer. The CODM makes decisions and assesses performance of the Company through two reportable and operating segments. The Company cultivates and distributes cannabis related products via federally approved cannabis programs by way of its Licensed Producer business. In addition, Company operates its clinic business through its CHC subsidiary. The Company derives substantially all of its revenue from these two segments. Prior to the RTO Transaction, MTL Cannabis had one reportable and operating segment.

The Company primarily operates in one principal geographical area, Canada, accordingly all of the Company’s long-lived assets are located in Canada.

The following table presents details on the Company’s segments for the year ended March 31, 2024:

	Licensed producer $	**CHC $**	**Corporate $**	**Consolidated $**
Revenue				
Product revenue	79,379,292	163,900	—	79,543,192
Referral revenue and other	76,805	3,443,891	—	3,520,696
Less: excise tax	(17,770,219)	—	—	(17,770,219)
Net revenue	61,685,878	3,607,791	—	65,293,669
Cost of sales	35,535,308	—	—	35,535,308
Gross profit before fair value adjustments	26,150,570	3,607,791	—	29,758,361
Fair value adjustments on biological assets	2,845,987	—	—	2,845,987
Fair value adjustments on sale of inventory	(6,201,313)	—	—	(6,201,313)
Gross profit	**22,795,244**	**3,607,791**	**—**	**26,403,035**
Expenses	16,826,332	3,100,954	1,863,079	21,790,365
Operating income (loss)	**5,968,912**	**506,837**	**(1,863,079)**	**4,612,670**
Finance expense, net	3,108,660	103,152	278,621	3,490,433
Other income	(596,024)	(38,492)	(30,031)	(664,547)
Income (loss) before income taxes	**3,456,276**	**442,177**	**(2,111,669)**	**1,786,784**
Income tax expense	(15,083)	370,141	(1,017,797)	(662,739)
Net income (loss) and comprehensive income (loss) for the year	**3,471,359**	**72,036**	**(1,093,872)**	**2,449,523**

[expressed in Canadian dollars, except share amounts]

Non-current assets as at March 31, 2024 and March 31, 2023:

	Licensed producer	CHC	Total
	$	$	$
March 31, 2024			
Right-of-use assets, net	10,487,659	785,245	11,272,904
Property, plant and equipment, net	16,324,879	1,128,230	17,453,109
Intangible assets and goodwill, net	15,231,717	7,329,666	22,561,383
	42,044,255	**9,243,141**	**51,287,396**
March 31, 2023			
Right-of-use assets, net	10,643,541	—	10,643,541
Property, plant and equipment, net	3,554,376	—	3,554,376
	14,197,917	**—**	**14,197,917**

19 Income taxes

The reconciliation of income tax expense for the years ended March 31, 2024 and 2023 consists of the following:

	2024	2023
	$	$
Income (loss) before income taxes	**1,786,784**	(2,795,518)
Statutory tax rate	**26.50%**	26.50%
Expected income tax provision (recovery)	**473,498**	(740,813)
Impact of difference in tax rate	**19,191**	196,470
Tax rate changes and other adjustments	**(9,864)**	(153,148)
Non-deductible expenses	**123,018**	29,185
Fair value adjustment on warrants	**(525,450)**	—
Change in deferred tax assets not recognized	**(743,132)**	85,303
Net income tax provision	**(662,739)**	(583,003)

The Company's income tax (recovery) is allocated as follows:

	March 31, 2024	March 31, 2023
	$	$
Current tax expense	**1,027,668**	885,812
Deferred tax (recovery)	**(1,690,407)**	(1,468,815)
Net income tax provision	**(662,739)**	(583,003)

The following table summarizes the components of deferred tax:

	March 31, 2024	March 31, 2023
	$	$
Non-capital loss carry forwards	**3,434,655**	—
Property, plant and equipment	**(1,281,444)**	(570,124)
Intangible assets	**(2,690,578)**	—
Biological assets and inventory	**(160,932)**	(874,674)
Reserve	**—**	579,994
Lease Liability, net of right-of-use assets	**548,456**	47,141
CEBA Loan	**4,058**	5,300
Share issuance cost	**59,526**	—
Land	**(34,306)**	—
Notes payable	**(200,406)**	—
Convertible debt	**(680,597)**	—
Other	**(65,732)**	—
Total deferred tax assets (liabilities)	**(1,067,300)**	(812,363)

[expressed in Canadian dollars, except share amounts]

Deferred taxes are provided as a result of temporary differences that arise due to differences between income tax values and the carrying amount of assets and liabilities. Deferred tax assets are recognized to offset deferred tax liabilities where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in the net deferred tax liabilities is as follows:

	March 31, 2024	**March 31, 2023**
	$	**$**
Balance at the beginning of the year	**(812,363)**	(2,281,178)
Recognized in profit or loss	**1,690,407**	1,468,815
Recognized in equity	**(741,638)**	—
Recognized in goodwill on RTO Transaction (Note 4)	**(1,203,706)**	—
Balance at the end of the year	**(1,067,300)**	(812,363)

Deferred tax assets have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits:

	March 31, 2024	**March 31, 2023**
	$	**$**
Non-capital losses carried forward	**9,485,111**	—
Property, plant and equipment	**7,369,889**	—
Lease liability	**48,327**	1,119,129
Reserve	**406,957**	—
Contingent consideration	**88,526**	—
Land	**253,045**	—
Capital losses carried forward	**2,907,252**	—
	20,559,107	1,119,129

Share issue and financing costs will be fully amortized in 2028. The remaining deductible temporary differences may be carried forward indefinitely.

The Company's unrecognized Canadian non-capital income tax losses expire as follows:

Year	**$**
2041	6,070,991
2042	3,410,472
2043	207
2044	3,441
	9,485,111

20 Commitments and contingencies

Commitments

Financial Guarantee

In May 2022, the Company provided a financial guarantee in relation to a mortgage entered into by 9336-4644 Quebec Inc. (the "Lessor"), a company under common control. The Lessor owns the real estate of 4225

Transcanadienne Highway and 815 Tecumseh Ave and leases the premises to the Company for the purposes of conducting their business operations.

The Company has guaranteed all outstanding obligations of the Lessor, related to this mortgage, which includes any principal and interest payments, accrued and unpaid interest and/or penalties in the occurrence of any default event. The Company is required to settle any outstanding obligations through cash payment. The mortgage is secured by real estate.

As at March 31, 2024, the total amount outstanding and payable by the Lessor under the mortgage was $8,150,000 (March 31, 2023 – $16,130,000). The Company has recognized $nil relating to this guarantee.

Lease commitment

On March 30, 2023, the Company modified its lease agreement on its production facility. The modification added additional leased space from April 1, 2024, to March 31, 2033. As a result, the Company has not recognized the lease commitment for the additional space as at March 31, 2024. The total undiscounted lease payments related to the additional leased space is $4,182,691.

Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. While the outcome of these matters may not be estimable at the reporting date, the Company makes provision, where possible, for the estimated outcome of such claims or proceedings.

a) In April 2022, a former employee filed a claim against the Company for unjust dismissal. The amount being claimed is approximately $250,000. Management cannot estimate the likelihood of losing the case at this time and as such has not recognized a provision in these financial statements with respect to this matter.

b) The Company and its subsidiary, Abba, were served with a Statement of Claim for damages for the alleged failure to pay invoices in the amount of $200,000 plus pre- and post-judgment interest. Pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. Given that examinations for discovery have not yet occurred, it is too early in the process to have a reasonable expectation or evaluation of the Plaintiff's claim, but the Company believes the claim to be without merit.

c) On April 15, 2021, Canada House's wholly owned subsidiary, IsoCanMed, was served with an application to initiate proceedings for damages for its alleged failure to pay invoices in the amount of $304,000 plus pre and post judgment interest. Prior to the Plaintiff initiating proceedings, IsoCanMed provided the Plaintiff with a list of deficiencies related to the Plaintiff's work installing the HVAC system at IsoCanMed's facility. The list of deficiencies includes the Plaintiff's supply and installation of a chiller which has not yet been put into operation by the Plaintiff. The Plaintiff and IsoCanMed discussed IsoCanMed's payment of the balance owing (approximately $305,000) on the total contract value of $2,300,000 when the Plaintiff had successfully remedied the outstanding deficiencies in its workmanship. In addition, at the request of the Plaintiff, IsoCanMed provided the Plaintiff with comments on the items it disputed in the Plaintiff's outstanding invoices. After receiving IsoCanMed's requested comments, the Plaintiff halted all communication and proceeded with this application.

   IsoCanMed retained external counsel to appear on IsoCanMed's behalf and respond to the application. IsoCanMed's external counsel has filed a Defence and Counterclaim to the Plaintiff's application along with the expert report relied upon in same. At this time, the Plaintiff's defense to IsoCanMed's Counterclaim and any expert evidence to be relied upon by the Plaintiff have not been filed with the Court. Initial discoveries of the Parties related to the Plaintiff's claim and IsoCanMed's Counterclaim have been delayed.

d) The Company is in the process of corresponding with the remaining holders of the Company's outstanding Convertible Debentures dated December 5, 2017, some of which were amended by Convertible Debenture Amending Agreements dated as of December 5, 2021 (collectively, the "2017 Debentures"), to propose repayment terms. The Company has not entered into repayment agreements with all holders of the 2017 Debentures. The principal and interest of the 2017 Debentures not subject to repayment agreements is due and payable and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof.

[expressed in Canadian dollars, except share amounts]

21 Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly and consists of the Chief Executive Officer, Chief Financial Officer, Chief Cultivation Officer, Chief Operating Officer, and President.

On August 30, 2022, the Company completed the Tranche One Closing whereby Canada House acquired 24.99% of the issued and outstanding shares of MTL Cannabis in exchange for 49.99% of the issued and outstanding common shares of Canada House to the shareholders of MTL Cannabis. This resulted in MTL Cannabis being considered a related party to Canada House and its subsidiaries, ICM and Abba.

The Tranche Two Closing was completed on July 28, 2023 and resulted in Canada House acquiring the remaining 75.01% of the issued and outstanding shares of MTL Cannabis in exchange for 30.01% of the issued and outstanding common shares of Canada House.

Compensation expense which consists of salaries and benefits for the Company's key management personnel for the year ended March 31, 2024, was $1,258,449 (2023 – $934,519).

As of March 31, 2024, the Company had an outstanding receivable balance of $nil from a company owned by key management personnel (March 31, 2023 – $22,472).

During the year ended March 31, 2024, the Company purchased $1,785,010 (2023 – $2,294,043) of equipment and services at market rates from companies owned by key management personnel. As of March 31, 2024, the Company had an outstanding balance of $283,497 (March 31, 2023 – $798,337) recorded in trade and other payables. The Company also owed $nil related to prepaids as of March 31, 2024 (March 31, 2023 – prepayments made of $180,714).

During the year ended March 31, 2024, the Company made rental and lease payments to related parties totaling $2,108,200 (2023 – $1,537,984)

During the year ended March 31, 2024, the Company accrued interest of $937,655 (2023 – $798,256) on a notes payable balance from a company controlled by the Chief Cultivation Officer and Chief Operating Officer. The Company repaid $2,334,654 during the year ended March 31, 2024 (2023 – $2,677,097). As of March 31, 2024, the Company had an outstanding balance payable of $4,765,975 (March 31, 2023 – $6,157,979) recorded in notes payable in relation to these notes (Note 11). The balance payable is due on demand. As of July 1, 2022, the note is interest bearing at a rate of 17% per annum. Prior to this period the interest was non-interest bearing.

During the year ended March 31, 2024, the Company accrued interest of $503,802 (2023 – $nil) on a promissory note from a director. The Company repaid $nil during the year ended March 31, 2024 (2023 – $nil). As of March 31, 2024, the Company had an outstanding balance payable of $4,307,648 (March 31, 2023 – $nil) recorded in notes payable (Note 11). The balance payable on December 12, 2024, and bears interest at a rate of 5% per annum.

22 Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock, notes payable, borrowings, and convertible debentures.

Total managed capital is as follows:

	March 31, 2024	**March 31, 2023**
	$	**$**
Notes payable	**15,004,518**	6,157,979
Borrowings	**2,438,552**	1,460,000
Convertible debentures	**5,412,883**	—
Share capital	**11,075,877**	100
	33,931,830	7,618,079

[expressed in Canadian dollars, except share amounts]

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

23 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at March 31, 2024, one customer represented 39% of the outstanding receivable balance (2023 – two customers represented 85%). For the year ended March 31, 2024, no customers accounted for more than 10% of the Company's revenue (2023 – two customers represented 68%).

The Company does not hold any collateral as security and mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The aging of trade receivables is as follows:

	March 31, 2024	March 31, 2023
	$	$
Current	**1,313,407**	4,026,139
1 – 30 days past due	**4,785,429**	2,644,388
31 – 60 days past due	**263,034**	177,182
Greater than 60 days past due	**440,865**	141,759
	6,802,735	6,989,468
Less: expected credit losses	**(259,711)**	(735,031)
	6,543,024	6,254,437

The expected credit losses were recognized in the consolidated statements of income (loss) and comprehensive income (loss) in the financial statement line item 'General and administrative'. The losses are included within 'General operating costs' (Note 17).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and, if desired, the issuance of debt. The Company's trade and other payables are all due within 12 months from the date of these financial statements. The Company is not subject to any covenants.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2024:

	Carrying amount	Year 1	Year 2	Year 3 and thereafter	Total
	$	$	$	$	$
Trade and other payables	14,163,572	14,163,572	—	—	14,163,572
Lease obligations	13,388,423	2,906,308	2,959,221	20,009,576	25,875,105
Notes payable	15,004,518	15,669,742	—	—	15,669,742
Convertible debentures	5,412,883	1,124,999	—	8,953,571	10,078,570
Borrowings	2,438,552	2,438,552	—	—	2,438,552
	50,407,948	**36,303,173**	**2,959,221**	**28,963,147**	**68,225,541**

[expressed in Canadian dollars, except share amounts]

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2023:

	Carrying amount	Year 1	Year 2	Year 3 and thereafter	Total
	$	$	$	$	$
Trade and other payables	9,023,669	9,023,669	—	—	9,023,669
Notes payable	6,157,979	6,157,979	—	—	6,157,979
Borrowings	1,460,000	1,478,763	—	—	1,478,763
	16,641,648	**16,660,411**	**—**	**—**	**16,660,411**

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is not exposed to foreign currency risk as at March 31, 2024.

- Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at March 31, 2024, as there are no material long-term borrowings outstanding subject to variable interest rates.

- Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at March 31, 2024.

Fair values

The carrying values of cash, trade and other receivables, trade and other payables, notes payable, borrowings, and the current portion of convertible debentures approximate their fair value due to the short-term nature of these items. The carrying value of the convertible debentures approximates its fair value due to initial recognition at fair value upon the RTO transaction, and subsequent measurement at amortized cost.

The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial liabilities are a level 2 financial instrument as its fair value was calculated using observable market inputs. No instruments were classified as level 3 as of March 31, 2024. During the year, there were no transfers of amounts between levels.

A 1% change to the financial liabilities would not be significant.

24 Subsequent Events

On May 10, 2024, the Company and one of the note holders agreed to amend the Amended ISO Promissory Note. The second amendment to the Amended ISO Promissory note extended the maturity date from April 30, 2024 to June 12, 2024.