MTL CANNABIS CORP. (formerly Canada House Cannabis Group Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "MTL Cannabis", "MTLC", "we", "us" or "our" refer to MTL Cannabis Corp. (formerly Canada House Cannabis Group Inc.), as constituted on March 31, 2024.

This MD&A for the three months and fiscal years ended March 31, 2024 and 2023 should be read in conjunction with the Company's consolidated financial statements and the accompanying notes for the fiscal years ended March 31, 2024 and 2023. The financial information presented in this MD&A is derived from the Company's audited consolidated financial statements for the fiscal years ended March 31, 2024 and 2023 ("financial statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in Canadian dollars except where otherwise indicated.

This MD&A is dated as of July 29, 2024.

FORWARD-LOOKING INFORMATION

The information provided in this MD&A, including information incorporated by reference, may contain certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation about our current expectations, estimates and projections about the future, based on certain assumptions made by us in light of the Company's experience and perception of historical trends. Although we believe that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

This forward-looking information is identified by words such as "anticipate", "believe", "expect", "plan", "forecast", "future", "target", "project", "capacity", "could", "should", "focus", "proposed", "scheduled", "outlook", "potential", "may" or similar expressions and includes suggestions of future outcomes, including actions taken by the Company, or that the Company may take in the future, to adjust its capital structure or refinance or repay its indebtedness; improvements to the Company's cultivation, manufacturing and standardization processes; potential future supply agreements; potential effects of regulations under the Cannabis Act (Canada) (together with the regulations thereunder (the "Cannabis Regulations"), the "Cannabis Act") and related legislation introduced by provincial governments; and future sales opportunities in other emerging medical markets. Readers are cautioned not to place undue reliance on forward-looking information as the Company's actual results may differ materially from those expressed or implied.

The Company has made certain assumptions with respect to the forward-looking statements regarding, among other things: the Company's ability to generate sufficient cash flow from operations and obtain financing or refinancing, if needed, on a timely basis and acceptable terms or at all; general economic, financial market, regulatory and political conditions in which the Company operates; the expected yield from the Company's cultivation operations; customer interest in the Company's products; competition from other licensed producers; anticipated and unanticipated costs; government regulation of the Company's activities and products; the timely receipt of any required regulatory approvals; the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the Company's ability to conduct operations in a safe, efficient and effective manner; and the Company's expansion plans and timeframe for completion of such plans.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events *and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: reliance on the licences issued by Health Canada designating that, pursuant to the Cannabis Act, the subsidiaries of MTL Cannabis are authorized to cultivate and process cannabis under the Cannabis Act pursuant to various Cultivation and Processing Licences; the limited operating history of the Company; the Company's ability to generate sufficient revenue to be profitable; the Company's ability to raise the capital necessary for it to execute its strategy or to refinance any outstanding indebtedness; risks inherent in an agricultural business; rising energy costs; the Company's current reliance on key persons; the Company's compliance with environmental, health and safety laws and regulations; insurance risks; failure of the Company to realize its cannabis production targets; interruptions in the supply chain for key inputs; demand for skilled labour, specialized knowledge, equipment, parts and components; the Company's current reliance on its facilities for cannabis cultivation; the Company's ability to manage its growth; the Company's ability to successfully implement and maintain adequate internal controls over financial reporting or disclosure controls and procedures; the Company not having been required to certify that it maintains effective internal control over financial reporting or effective disclosure controls and procedures; results of litigation; conflicts of interest between the Company and its directors and officers; payment of dividends; the partial dependence of the Company's operations on the maintenance and protection of its information technology systems; unforeseen tax and accounting requirements; regulatory risks relating to the Company's compliance with the Cannabis Act; changes in laws, regulations and guidelines; the Company's ability to maintain the License; changes to the market price of cannabis; the ability of the Company to produce and sell cannabis supply; changes in government; changes in government policy; failure of counterparties to perform contractual obligations; the Company's ability to successfully develop new products or find a market for their sale; lack of certainty regarding the expansion of the cannabis market; ability of key employees of the Company to obtain or renew security clearances in the future; unfavorable publicity or consumer perception of the Company and the cannabis industry; the Company's ability to promote and sustain its brands; marketing constraints in the cannabis industry; product liability claims or regulatory actions; the shelf life of inventory; fair value adjustments to the Company's biological assets; impact of any future recall of the Company's products; increased competition in the cannabis market in Canada and internationally; the impact of any negative scientific studies on the effects of cannabis; reputational risks to third parties with whom the Company does business; the Company's ability to produce and sell its medical products outside of Canada; co-investment risks; failure to comply with laws and regulations; the Company's reliance on its own market research and forecasts; competition from synthetic production and new technologies; the Company's ability to transport its products; liability arising from any fraudulent or illegal activity; the existence and growth of the cannabis industry; product liability lawsuits; misconduct or other improper activities by employees, independent contractors, consults, commercial partners and vendors; failure to achieve market acceptance in the medical community; inability to establish sales and marketing capabilities; failure to comply with health and data protection laws; reliance on third parties to conduct clinical trials; loss of single-source suppliers; reliance on contract manufacturing facilities; inability to obtain or maintain sufficient intellectual property protection for the Company's products; third-party claims of intellectual property infringement; inability to protect the confidentiality of trade secrets; inability to protect trademarks and trade names; and other factors beyond the Company's control.*

The Company cautions that the foregoing list of important factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained or incorporated by reference in this MD&A are made as of the date of this MD&A or as otherwise specified. Except as required by applicable securities law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors affecting those statements, whether as a result of new information, future events or otherwise or the foregoing lists of factors affecting this information.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements. Further information regarding factors that may cause actual results to differ materially are included in the Company's annual and other reports filed from time to time with the Canadian Securities Administrators on SEDAR+ (www.sedarplus.ca), including the Company's Filing Statement filed on SEDAR+ on August 14, 2023, under the heading "17. Risk Factors." This list of risk factors should not be construed as exhaustive. Readers are cautioned that events or circumstances could cause results to differ materially from those predicted, forecasted or projected. The forward-looking statements contained in this document speak only as of the date of this document. MTLC does not undertake any obligation to publicly update or revise any forward-looking statements or information contained herein, except as required by applicable laws. The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Additional information relating to MTLC can be found on SEDAR+ at www.sedarplus.ca.

OVERVIEW

On July 28, 2023, the Company, formerly Canada House Cannabis Group Inc. ("Canada House"), completed its acquisition of all of the issued and outstanding shares of Montréal Medical Cannabis Inc. ("Montréal Cannabis"), effective as of July 28, 2023 (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 Montréal Cannabis from the Montréal Cannabis 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 Montréal Cannabis. 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 Montréal Cannabis from the Montréal Cannabis shareholders in exchange for 70,713,556 common shares of Canada House, resulting in Montréal Cannabis becoming a wholly owned subsidiary of Canada House (now renamed "MTL Cannabis Corp."). Upon completion of the Tranche Two Closing, the existing Montréal Cannabis shareholders held a majority of the MTLC's outstanding common shares, constituting a reverse takeover of Canada House by the shareholders of Montréal Cannabis. As a result, the comparative information included herein is solely that of Montréal Cannabis.

The Company operates through various wholly-owned subsidiaries, including: Montréal Cannabis, Abba Medix Corp. ("Abba"), Canada House Clinics Inc. ("CHC"), and IsoCanMed Inc. ("ICM").

Licensed Producers

Montréal Medical Cannabis Inc.

Montréal Cannabis is a licensed cultivator and processor in Canada under the Cannabis Act (Canada) (together with the regulations promulgated thereunder (the "Cannabis Regulations"), the "Cannabis Act") and associated Cannabis Regulations. The Company is concentrated on respecting the cannabis culture and daily consumer by launching modern unique offerings into the Canadian market at a competitive price point.

The Company holds two licences from Health Canada: (i) a Cultivation License (defined below); and (ii) a Processing License (defined below). The Company received its Cultivation License under section 22(2) of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") on February 7, 2020, authorizing Montréal Cannabis to cultivate and process cannabis (the "Cultivation Licence"). The Cultivation License permitted the

Company to acquire cannabis plants and/or seeds for the purpose of initiating plant growth and for conducting analytical testing.

On February 7, 2020, the Company also received its Standard Processing Licence (the "Processing Licence"). The Processing Licence allows the Company to produce cannabis, other than obtain it by cultivating, propagating or harvesting it (i.e. extract oils).

On February 22, 2022, the Company's Processing Licence was amended to allow it to sell and distribute finished packaged cannabis products to sell its own production to provincially and territorially authorized retailers.

Abba Medix Corp.

Abba became focused during 2022 on being a leading medical marketplace for veterans with coverage and transitioned recreational market production and sales to ICM and MTL. As a medical marketplace, Abba sources over 325 SKU's from various brands and licensed producers to curate a menu for veterans and other medical patients.

At full capacity, the facility leased and outfitted by Abba has capacity to produce approximately 2,500 kg of premium cannabis annually. Abba started a retrofit of cultivation rooms in October 2023, that were previously sublet to a third party who occupied the space previously. Additionally, Abba is in the process of retrofitting and licensing additional space in the facility to support expanding medical fulfilment operations to keep up with market demand of the medical cannabis market.

IsoCanMed Inc.

ICM has invested approximately $15,000,000 in a state-of-the-art 64,000-square-foot production facility, including its recently completed retrofit to deploy Montréal Cannabis' proven cultivation methodologies. In addition, MTLC invested an additional $1.8M into ICM to further expand its cultivation capacity, completing the expansion in February 2024. ICM's facility currently offers the potential for an annual production capacity of over 8,000 kg of low-cost dried flowers. The annual cultivation weight at ICM is largely dependent on which genetics are used and the yield per plant from the genetics selected. ICM also owns adjacent land of 450,000 square feet that can accommodate the construction of additional facilities.

Clinics

Canada House Clinics Inc.

CHC's mission is to improve the quality of life for anyone suffering from post-traumatic stress disorder, chronic pain and/or other medical conditions. CHC is not in the business of growing or distributing cannabis and does not plan to undertake these activities in the future. CHC provides education services to assist their patients in selecting a Licensed Producer, identify appropriate strains, and consult and support patients regarding the use of medical cannabis. Services are inclusive of issuing a Medical Document (authorization to purchase medical cannabis) using licensed health care providers. Since its inception, CHC has directly supported thousands of veterans and civilians across Canada with comprehensive service and care. CHC currently has twelve clinic locations, including both standalone and embedded locations inside third-party medical clinics. There is one clinic in each of the provinces of Alberta, Prince Edward Island and Newfoundland, two clinics in New Brunswick, two clinics in Nova Scotia and five clinics in Ontario. Clients of CHC clinics are educated to understand the possible benefits of cannabinoid therapy, and, if appropriate, introduced to a professional who can write a cannabis prescription in order to meaningfully improve the quality of lives for veterans, first responders and civilians alike.

CHC continues to execute several initiatives to provide better service and support for their patients. CHC healthcare staff produce blogs and hold various informational sessions, which focuses on the efficacy of cannabis treatment for various conditions supported by fact-based research, client trends and feedback. CHC continues to make improvements to its Cannabis Patient Management ("CPM") software, including new physician services capabilities, embedded secure telemedicine, prescriber and client portals, digital treatment plans and reconciliation of licensed producer payments. The CPM software not only allows for better service to existing clients, it also improves the efficiency of managing patient care. To this end, specific API integrations with partnered licensed producers have been created to allow for the registration of patients more securely, instantly and accurately. Incorporated treatment reporting has been added to the patient portal that will allow a better understanding of what treatments and products work best for a specific diagnosis.

In the interest of providing superior, comprehensive service to its clients, CHC has added Licensed Practical Nurses and other health workers to provide Cannabinoid Therapy Education (“CTE”) to all clients, which is an integral part of the Company’s vision in offering better health outcomes to those seeking alternative treatments towards improving their quality of life. CHC uses a combination of Physicians and Nurse Practitioners to issue medical documents, both in person and via telemedicine. Consultation fees are either billed back to a payor (e.g. provincial health plan) or paid by CHC (e.g. a Nurse Practitioner seeing a patient).

CHC facilitates Abba’s client growth by providing insights to Abba on which types of cannabis products would be effective and popular with patients and including Abba in recommended treatment options when appropriate for a particular patient. CHC remains committed to educating on and working with many external Licensed Producers to provide greater capacity and treatment alternatives based on patient needs. In addition to Abba, CHC has a number of agreements with Licensed Producers from which CHC patients could choose their medicine. CHC’s clinics also provide Second Level Assessments for veteran clients who require an increased level of care. Abba has secured its amended sales license from Health Canada, enabling the sale of its own cannabis directly to CHC and other patients, as well as consumers.

Strategy

For the upcoming fiscal year, MTLC will continue to focus on driving organic growth across all revenue channels, specifically the Canadian recreational, Canadian medical, and the international medical cannabis markets in jurisdictions where medical cannabis is legal and supported by an approved regulatory regime. All such channels have been established and continue to demonstrate growth, driven by increased demand for MTLC produced products and medical services.

Canadian Recreational Market

The Canadian recreational market continues to demonstrate high-paced growth as 2023 concluded with more than $5B of domestic sales, or 12.2% year-over-year growth, compared to 2022 which finished with $4.5B of sales. MTLCs domestic growth rate has outpaced the Canadian market growth rate, which further demonstrates the impact of MTLCs brands and product quality in the market. MTLC recently won 'Brand of the Year' at the 2024 Grow Up Awards Gala, reinforcing the strength of the brand and its impact on the domestic market.

MTLC will continue to focus on the flower-based products and concentrates, specifically dried flower, pre-rolls, and hash products. These product categories continue to represent more than 70% of sales in both the Canadian and international markets. MTLC is committed to ensuring the highest levels of quality and consistency for its products, continually investing in the development of new genetics and product types and formats within each category.

Canadian Medical Market

MTLC has completed integration activities at both Abba and CHC, which has allowed both businesses to contribute to the overall profitability of the company. MTLC will continue to focus on servicing the veteran community in the Canadian medical cannabis space as they are the only group which is fully insured with 100% coverage for cannabis prescriptions through Blue Cross and Veteran Affairs Canada. MTLC currently has more than 3,000 veterans registered with Abba out of a total of approximately 20,000 veterans in Canada with active medical cannabis prescriptions. CHC actively works with the veteran community to support the registration of veterans to become active medical patients.

International Markets

MTLC has established export channels into Germany, Australia, Poland, Portugal, and the UK. The Company has completed a number of shipments, focused on the German market, and will continue to service these regulated jurisdictions as the brand continues to gain traction Internationally and MTLC cultivation capacity expands to fulfill the needs of the international markets.

Canadian exports to international medical markets increased 50% year-over-year to $160M during the 12-month. period ending March 31, 2023. Specific to Germany, imports of cannabis have increased from 1,780 kg in fiscal year 2017 to 31,398 kg in fiscal year 2023, which represents an increase of 26.2% over the previous year.

Business Operations

Operationally, Montréal Medical Cannabis Inc. serves as the key 'hub' for cultivation, processing, and distribution for Canadian recreational markets and international markets. Meanwhile, Abba. serves as the primary fulfillment and distribution asset for the Canadian medical cannabis market. Additionally, both ICM and Abba supplement Montréal Medical Cannabis Inc. with additional cultivation capacity to meet ongoing demand and growth for the overall Company. As of March 31, 2024, MTLC now has an estimated total production capacity of 19,500 kg per annum after recently completed retrofits and expansions of both Abba and ICM, representing an additional estimated 2,500 kg and 8,000 kg, respectively.

To continue to drive growth for medical patients, CHC operates twelve brick-and-mortar clinics across Canada, in addition to virtual clinic services, to help increase the number of medical patients receiving services, specifically veterans, to the company.

As demand continues to increase, the company will continue to invest in expansion initiatives to maximize cultivation capacity, yields, quality, processing capabilities, and new products to serve each respective market.

SELECTED FINANCIAL HIGHLIGHTS

The following table presents selected financial information for the three months and fiscal years ended March 31, 2024 and 2023:

	Three months ended March 31,				Years ended March 31,			
	2024	2023	Change		2024	2023	Change	
	$	$	$	%	$	$	$	%
Revenue	**14,191,894**	8,194,304	5,997,590	73%	**65,293,669**	24,570,038	40,723,631	166%
Gross profit	**7,837,928**	1,673,142	6,164,786	368%	**26,403,035**	7,899,792	18,503,243	234%
General and administrative	**4,832,718**	1,634,802	3,197,916	196%	**16,821,917**	7,455,299	9,366,618	126%
Sales and marketing	**217,388**	192,658	24,730	13%	**956,824**	961,392	(4,568)	(0%)
Amortization and depreciation	**1,487,398**	122,543	1,364,855	1,114%	**3,949,847**	676,016	3,273,831	484%
Share-based compensation	**—**	—	—	0%	**61,777**	—	61,777	100%
Total operating expenses	**6,537,504**	1,950,003	4,587,501	235%	**21,790,365**	9,092,707	12,697,658	140%
Operating income (loss)	**1,300,424**	(276,861)	1,577,285	(570%)	**4,612,670**	(1,192,915)	5,805,585	(487%)
Adjusted EBITDA	**3,168,938**	1,134,668	2,034,270	179%	**13,161,130**	5,922,669	7,238,461	122%

Adjusted EBITDA is a non-IFRS performance measure. See the 'Results of Operations' below for further details.

OVERALL FINANCIAL PERFORMANCE

Revenue, net of excise tax, for the three months ended March 31, 2024, was $14,191,894, an increase of $5,997,590 or 73%, compared to the equivalent period in the prior year. Revenue, net of excise tax, for the fiscal year ended March 31, 2024, was $65,293,669 an increase of $40,723,631 or 166%, compared to the equivalent period in the prior year. In both periods, the increase is primarily due to increased revenue related to the Canada House Cannabis Group acquisition.

Gross profit after fair value adjustments for the three months ended March 31, 2024, was $7,837,928, an increase of $6,164,786 or 368%, compared to the equivalent period in the prior year. Gross profit after fair value adjustments for the fiscal year ended March 31, 2024, was $26,403,035, an increase of $18,503,243 or 234%, compared to the equivalent period in the prior year. In both periods, the increase in gross profit is primarily due to higher revenue.

	As at March 31, 2024	As at March 31, 2023	Change	
	$	$	$	%
Cash	**1,352,135**	437,551	914,584	209%
Total assets	**71,473,398**	31,745,101	39,728,297	125%
Total liabilities	**56,847,726**	30,204,259	26,643,467	88%

The Company concluded the year ended March 31, 2024, with cash of $1,352,135 (March 31, 2023 - $437,551).

RESULTS OF OPERATIONS

Analysis of the Three Months Ended March 31, 2024 and 2023 and the Fiscal Years Ended March 31, 2024 and 2023

	Three months ended March 31,				Years ended March 31,			
	2024	2023	Change		2024	2023	Change	
	$	$	$	%	$	$	$	%
Revenue								
Product revenue	**17,137,771**	10,726,603	6,411,168	60%	**79,543,192**	31,259,648	48,283,544	154%
Referral revenue	**1,310,905**	—	1,310,905	100%	**3,520,696**	—	3,520,696	100%
Excise tax	**(4,256,782)**	(2,532,299)	(1,724,483)	68%	**(17,770,219)**	(6,689,610)	(11,080,609)	166%
Net Revenue	**14,191,894**	8,194,304	5,997,590	73%	**65,293,669**	24,570,038	40,723,631	166%
Cost of sales	**6,037,617**	6,712,567	(674,950)	(10%)	**35,535,308**	15,810,128	19,725,180	125%
Gross profit before fair value adjustments	**8,154,277**	1,481,737	6,672,540	450%	**29,758,361**	8,759,910	20,998,451	240%
Fair value adjustments on biological assets	**208,049**	1,192,093	(984,044)	(83%)	**2,845,987**	6,126,189	(3,280,202)	(54%)
Fair value adjustments on sale of inventory	**(524,398)**	(1,000,688)	476,290	(48%)	**(6,201,313)**	(6,986,307)	784,994	(11%)
Gross profit	**7,837,928**	1,673,142	6,164,786	368%	**26,403,035**	7,899,792	18,503,243	234%
Operating expenses								
General and administrative	**4,832,718**	1,634,802	3,197,916	196%	**16,821,917**	7,455,299	9,366,618	126%
Sales and marketing	**217,388**	192,658	24,730	13%	**956,824**	961,392	(4,568)	(0%)
Amortization and depreciation	**1,487,398**	122,543	1,364,855	1,114%	**3,949,847**	676,016	3,273,831	484%
Share-based compensation	**—**	—	—	0%	**61,777**	—	61,777	100%
Total operating expenses	**6,537,504**	1,950,003	4,587,501	235%	**21,790,365**	9,092,707	12,697,658	709%
Operating income (loss)	**1,300,424**	(276,861)	1,577,285	(570%)	**4,612,670**	(1,192,915)	5,805,585	(487%)
Finance expense, net	**1,988,807**	497,820	1,490,987	300%	**3,490,433**	1,915,982	1,574,451	82%
Other income	**(173,067)**	(96,893)	(76,174)	79%	**(664,547)**	(313,379)	(351,168)	112%
Income (loss) before income taxes	**(515,316)**	(677,788)	162,472	(24%)	**1,786,784**	(2,795,518)	4,582,302	(164%)
Income tax recovery	**(1,406,834)**	(345,784)	(1,061,050)	307%	**(662,739)**	(583,003)	(79,736)	14%
Net income (loss) and comprehensive income (loss) for the year	**891,518**	(332,004)	1,223,522	(369%)	**2,449,523**	(2,212,515)	4,662,038	(211%)

Revenue

Revenue, net of excise tax, increased from $8,194,304 to $14,191,894 or 73% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Revenue, net of excise tax, increased from $24,570,038 to $65,293,669 or 166% for the year ended March 31, 2024, compared to the equivalent period in the prior year. In both periods, the increase in revenue is primarily due to an increase in revenue related to the Canada House Cannabis Group acquisition.

Cost of Sales

Cost of sales includes the cost of inventory sold and production costs expensed. Direct and indirect production costs include direct labor, processing, testing, packaging, quality assurance, security, inventory, shipping, depreciation of production equipment, production overhead and other related expenses.

Cost of sales decreased from $6,712,567 to $6,037,617 or 10% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Cost of sales increased from $15,810,128 to $35,535,308 or 125% for the year ended March 31, 2024, compared to the equivalent period in the prior year. The decrease in costs of sales for the three months ended March 31, 2024, is primarily due to cost savings from synergies on the acquisition. The increase in costs of sales for the year ended March 31, 2024, primarily due to the increase in revenue related to the Canada House Cannabis Group acquisition.

Fair value adjustments on biological assets

The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. Capitalized costs include labour related costs, grow consumables, utilities, facilities costs, and an allocation of overhead costs related to the production facility and depreciation on production equipment. Capitalized costs are subsequently recorded within cost of sales in the consolidated statements of income (loss) and comprehensive income (loss) in the period that the related product inventory is sold.

At each reporting period and at the point of harvest, the Company measures biological assets at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the consolidated statements of income (loss) and comprehensive income (loss) for the related period.

Fair value adjustments on biological assets decreased from $1,192,093 to $208,049 or 83% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Fair value adjustments on biological assets decreased from $6,126,189 to $2,845,987 or 54% for the year ended March 31, 2024, compared to the equivalent period in the prior year. The decrease is primarily due to a decrease in the average bulk selling price per gram.

General and administrative

General and administrative expenses for the three months ended March 31, 2024 and 2023 and for the years ended March 31, 2024 and 2023 are comprised of:

	For the three months ended March 31,				**For the years ended March 31,**			
	2024	**2023**	**Change**		**2024**	**2023**	**Change**	
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Salaries, wages and benefits	**2,479,114**	792,232	1,686,882	213%	**9,037,789**	2,975,428	6,062,361	204%
General operating costs	**1,157,543**	232,851	924,692	397%	**4,345,011**	2,966,126	1,378,885	46%
Occupancy expense (recovery)	**108,122**	—	108,122	100%	**(449)**	—	(449)	(100%)
Professional fees	**1,087,939**	609,719	478,220	78%	**3,439,566**	1,513,745	1,925,821	127%
	4,832,718	1,634,802	3,197,916	196%	**16,821,917**	7,455,299	9,366,618	126%

Salaries, wages and benefits increased from $792,232 to $2,479,114 or 213% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Salaries, wages and benefits increased from $2,975,428 to $9,037,789 or 204% for the year ended March 31, 2024, compared to the equivalent period in the prior year. Salaries, wages and benefits, does not include salaries, wages and benefit costs that were capitalized to biological assets and inventory production. For the three months and year ended March 31, 2024, the increase in salaries, wages and benefits, compared to the equivalent periods in the prior year, is primarily due to the Canada House Cannabis Group acquisition and the organic growth of the overall Company.

General operating costs increased from $232,851 to $1,157,543 or 397% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. General operating costs increased from $2,966,126 to $4,345,011 or 46% for the year ended March 31, 2024, compared to the equivalent period in the prior year. In both periods, the increase in general operating costs, compared to the equivalent periods in the prior year is due to additional expenses from the Canada House Cannabis Group acquisition and bad debt expense recognized.

Occupancy expense increased from $nil to $108,122 or 100% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Occupancy recovery increased from $nil to $(449) or 100% for the year ended March 31, 2024, compared to the equivalent period in the prior year. For the three months ended March 31, 2024, the occupancy expense is related to an increase in rent payments. For the year ended March 31, 2024, the occupancy recovery is related to rental income relating to short-term rental arrangements for unused warehouse facilities, offset by variable lease payments for facilities rented by the Company.

Professional fees increased from $609,719 to $1,087,939 or 78% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Professional fees increased from $1,513,745 to $3,439,566 or 127% for the year ended March 31, 2024, compared to the equivalent period in the prior year. In both periods, the increase is driven by the Canada House Cannabis Group acquisition and the professional fees associated with the RTO Transaction.

Sales and marketing

Sales and marketing increased from $192,658 to $217,388 or 13% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Sales and marketing decreased from $961,392 to $956,824 or 1% for the year ended March 31, 2024, compared to the equivalent period in the prior year. For the three months ended March 31, 2024, the increase, compared to the equivalent period in the prior year, was due to increased sales and promotional efforts. For the year ended March 31, 2024, the decrease is primarily due to no sales commissions paid during the year ended March 31, 2024, which were previously paid in the equivalent periods in the prior year offset by additional expenses from the Canada House Cannabis Group acquisition.

Amortization and depreciation

Amortization and depreciation expense increased from $122,543 to $1,487,398 or 1114% for the three months ended March 31, 2024, compared to the equivalent period in the prior year. Amortization and depreciation expense increased from $676,016 to $3,949,847 or 484% for the year ended March 31, 2024, compared to the equivalent period in the prior year. In both periods, the change was primarily due to the amortization of intangible assets and depreciation of right-of-use assets and property, plant and equipment acquired in the Canada House Cannabis Group acquisition.

Finance expense

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

	For the three months March 31,		For the years ended March 31,	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Interest on lease obligations	**565,665**	223,787	**2,195,027**	944,898
Interest on notes payable	**740,098**	260,402	**2,509,533**	798,256
Interest on borrowings	**84,379**	39,042	**279,002**	172,828
Interest on convertible debentures	**204,820**	—	**642,475**	—
Change in fair value of financial liabilities	**28,000**	—	**(2,350,000)**	—
Gain on modification of mortgage payable	**(39,770)**	—	**(39,770)**	—
Gain on extinguishment of notes payable	**(208,907)**	—	**(208,907)**	—
Warrant modification	**23,013**	—	**23,013**	—
Warrants issued	**344,155**	—	**344,155**	—
Other finance (income) expenses	**247,354**	(25,411)	**95,905**	—
	1,988,807	497,820	**3,490,433**	1,915,982

Adjusted earnings (loss) before interest, taxes, depreciation and amortization (EBITDA):

Adjusted EBITDA is a non-IFRS measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. It is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts and investors to compare the Company to its competitors and derive expectations of the future financial performance of the Company. Management uses Adjusted EBITDA to assist with comparatives to other companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on biological assets and inventory, which may be volatile on a period-to-period basis. Management defines Adjusted EBITDA as income (loss) from continuing operations, as reported, adjusted for depreciation and amortization, financing costs, gains and losses on sale of marketable securities, interest and accretion, share-based payments, change in fair value of biological assets realized through inventory sold, and unrealized gains and losses on changes in fair value of biological assets. For the three months and year ended March 31, 2024, income (loss) from continuing operations, as reported, is also adjusted for severance costs on restructuring due to the Canada House Cannabis Group acquisition.

	Three months ended March 31,				Years ended March 31,			
	2024	**2023**	**Change**		**2024**	**2023**	**Change**	
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Net income (loss)	**891,518**	(332,004)	1,223,522	(369%)	**2,449,523**	(2,212,515)	4,662,038	(211%)
Fair value adjustments on biological assets	**208,049**	1,192,093	(984,044)	(83%)	**2,845,987**	6,126,189	(3,280,202)	(54%)
Share-based compensation	—	—	—	n/a	**61,777**	—	61,777	100%
Finance expense, net	**1,988,807**	497,820	1,490,987	300%	**3,490,433**	1,915,982	1,574,451	82%
Amortization and depreciation	**1,487,398**	122,543	1,364,855	1,114%	**3,949,847**	676,016	3,273,831	484%
Tax expense recovery	**(1,406,834)**	**(345,784)**	**(1,061,050)**	307%	**(662,739)**	(583,003)	(79,736)	14%
Severance	—	—	—	n/a	**1,026,302**	—	1,026,302	100%
Adjusted EBITDA	**3,168,938**	1,134,668	2,034,270	179%	**13,161,130**	5,922,669	7,238,461	122%

FINANCIAL POSITION

As at	March 31, 2024	March 31, 2023	Change	
	$	**$**	**$**	**%**
ASSETS				
Current assets				
Cash	**1,352,135**	437,551	914,584	209%
Trade and other receivables	**6,774,677**	6,328,531	446,146	7%
Inventory	**8,633,786**	9,169,875	(536,089)	-6%
Biological assets	**1,550,427**	1,260,189	290,238	23%
Prepaid expenses and deposits	**1,874,977**	351,038	1,523,939	434%
Total current assets	**20,186,002**	17,547,184	2,638,818	15%
Non-current assets				
Right-of-use assets, net	**11,272,904**	10,643,541	629,363	6%
Property, plant and equipment, net	**17,453,109**	3,554,376	13,898,733	391%
Intangible assets and goodwill, net	**22,561,383**	—	22,561,383	100%
Total non-current assets	**51,287,396**	14,197,917	37,089,479	261%
TOTAL ASSETS	**71,473,398**	31,745,101	39,728,297	125%
LIABILITIES				
Current liabilities				
Trade and other payables	**14,163,572**	9,023,669	5,139,903	57%
Income taxes payable	**879,478**	987,578	(108,100)	-11%
Lease obligations	**706,420**	185,804	520,616	280%
Notes payable	**15,004,518**	6,157,979	8,846,539	144%
Borrowings	**2,438,552**	1,460,000	978,552	67%
Convertible debentures	**1,124,999**	—	1,124,999	100%
Total current liabilities	**34,317,539**	17,815,030	16,502,509	93%
Non-current liabilities				
Lease obligations - non-current	**12,682,003**	11,576,866	1,105,137	10%
Convertible debentures - non-current	**4,287,884**	—	4,287,884	100%
Provision	**4,493,000**	—	4,493,000	100%
Deferred tax liability	**1,067,300**	812,363	254,937	31%
Total liabilities	**56,847,726**	30,204,259	26,643,467	88%
SHAREHOLDERS' EQUITY				
Share capital	**11,075,877**	100	11,075,777	11075777%
Contributed surplus	**4,163,960**	111,430	4,052,530	3637%
Retained (deficit) earnings	**(614,165)**	1,429,312	(2,043,477)	-143%
Total shareholders' equity	**14,625,672**	1,540,842	13,084,830	849%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUIT	**71,473,398**	31,745,101	39,728,297	125%

Assets

For the year ended March 31, 2024 compared to the year ended March 31, 2023

Trade and other receivables increased by $446,146 or 7% primarily due to increased sales following the acquisition of Canada House. The increase is broken down into:

(i) a decrease of $186,733 in trade receivables;

(ii) an increase of $12,022 in SR&ED receivables;

(iii) an increase in sales tax receivable of $110,935;

(iv) an increase in other receivables of $34,602; and

(v) a decrease in expected credit losses of $475,320.

Inventory decreased by $536,089 or 6%, primarily due to a decrease in work in process of $3,684,743, offset by an increase in finished goods of $3,204,746 and an increase in the inventory provision of $56,092.

Right-of-use assets increased by $629,363 or 6%, primarily due to $2,035,501 acquired on closing of the acquisition of Canada House, offset by $1,406,138 of depreciation expense.

Property, plant and equipment increased by $13,898,733 or 391%, primarily due to $12,021,410 acquired on closing of the acquisition of Canada House, and additions of $3,229,931. The increases were offset by $1,285,152 of depreciation expense, and $67,456 in disposals.

Intangible assets and goodwill, net, increased by $21,651,196 or 100%. The increase is due to $24,281,863 intangible assets and goodwill acquired upon closing of the acquisition of Canada House offset by $2,630,667 of amortization expense.

Liabilities

For the year ended March 31, 2024 compared to the year ended March 31, 2023

Trade and other payables increased by $5,139,903 or 57%, primarily due to assumed trade and other payables of $6,304,727 upon closing of the Canada House Cannabis Group acquisition, offset by the timing of invoices and payments.

Income taxes payable decreased by $108,100 or 11%, primarily due to timing of payments.

Lease obligations increased by $1,625,753 or 14%, primarily due to $2,035,501 assumed on closing of the Canada House Cannabis Group acquisition, and interest expense of $2,195,027, offset by payments of $2,604,775.

Notes payable increased by $8,846,539 or 144%, primarily due to $10,875,572 assumed on closing of the Canada House Cannabis Group acquisition and interest expense of $2,509,533, offset by a loss on modification of $208,907 and payments of $4,334,654.

Borrowings increased by $978,552 or 67%, primarily due to $3,409,286 assumed on closing of the Canada House Cannabis Group acquisition, interest expense of $279,002, and a gain on modification of $39,770, offset by repayments of $2,629,966 and loan forgiveness of $40,000.

Convertible debentures increased by $5,412,883 or 100%, primarily due to $5,861,366 assumed on closing of the Canada House Cannabis Group acquisition and interest expense of $642,475, offset by payments of $1,090,958.

Provision increased by $4,493,000 or 100%, due to consideration payable to the shareholders of Montréal Cannabis prior to the RTO Transaction. The total consideration payable is $5,000,000 if certain revenue targets are achieved in the first twelve and the second twelve-month periods immediately following the closing of the RTO Transaction.

Deferred tax liability increased by $254,937 or 31%, primarily due to deferred tax liability relating to the acquired intangible assets upon closing of the Canada House Cannabis Group acquisition.

Shareholders' equity

For the year ended March 31, 2024 compared to the year ended March 31, 2023

Shareholder's equity increased by $13,084,830 or 849%, primarily due to common shares issued upon closing of the Canada House Cannabis Group acquisition with a value of $12,452,777, financial instrument liabilities of $3,050,000 reclassed to equity, and comprehensive income of $2,449,523. The increases were offset by $4,493,000 payable to the shareholders of Montréal Cannabis prior to the RTO Transaction and has been recognized in equity as a deemed dividend.

Liquidity, Capital Resources and Financing

The general objectives of our capital management strategy are to preserve our capacity to continue operating, provide benefits to our stakeholders and provide an adequate return on investment to our shareholders by continuing to invest in our future that is commensurate with the level of operating risk we assume. We determine the total amount of capital required consistent with risk levels. We are not subject to any externally imposed capital requirements.

The financial statements and this MD&A have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The financial statements and this MD&A do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at March 31, 2024, the Company had cash of $1,352,135 representing an increase of $914,584 from March 31, 2023. This increase is primarily due to $13,780,880 of cash provided by operating activities, offset by $2,210,938 of cash used in investing activities and $10,655,358 of cash used in financing activities.

Given our existing cash and trade receivables, we believe there is sufficient liquidity to meet our current and short-term growth requirements in addition to our long-term strategic objectives.

Cash flows

	Years ended March 31,	
	2024	**2023**
	$	**$**
Cash	**1,352,135**	437,551
Net cash provided by (used in):		
Operating activities	**13,780,880**	(714,442)
Investing activities	**(2,210,938)**	(947,089)
Financing activities	**(10,655,358)**	1,628,523
Net increase in cash	**914,584**	(33,008)

Cash Flows provided by (used in) Operating Activities

Cash provided by operating activities for the year ended March 31, 2024, was $13,780,880 compared to cash used in operating activities of $714,442 for the year ended March 31, 2023. The increase in cash provided by (used in) operating activities is primarily due an increase in net income of $4,662,038, an increase in items not affecting cash of $4,453,980 and an increase in non-cash working capital balances of $5,379,304 during the year ended March 31, 2024, compared to the equivalent period in the prior year.

Cash Flows used in Investing Activities

Cash used in investing activities for the year ended March 31, 2024, was $2,210,938 compared to cash used in investing activities of $947,089 for the year ended March 31, 2023. The increase in cash used in investing activities is primarily due to purchase of equipment of $3,229,931 compared to $570,930 in the equivalent period in the prior year, offset by net cash acquired in the Canada House Cannabis Group acquisition of $1,014,345, and proceeds on sale of equipment of $4,648, during the equivalent period in the prior year.

Cash Flows (used in) provided by Financing Activities

Cash used in financing activities for the year ended March 31, 2024, was $10,655,358 compared to cash provided by financing activities of $1,628,523 the year ended March 31, 2023. The increase in cash (used in) provided by financing activities is primarily driven by payment of notes payables, convertible debentures and borrowings of $8,050,583 and payment of lease obligations of $2,604,775 compared to net proceeds of $3,217,903 from notes payable and borrowings, offset by payments of lease obligations of $1,589,380 in the equivalent period in the prior year.

CONTRACTUAL OBLIGATIONS

We have no significant contractual arrangements other than those noted in our audited financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements other than those noted in our audited financial statements.

TRANSACTIONS WITH RELATED PARTIES

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 Cultivation Officer, Chief Operating Officer, Chief Financial 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 Montréal Cannabis in exchange for 49.99% of the issued and outstanding common shares of Canada House to the shareholders of Montréal Cannabis. This resulted in Montréal 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 Montréal 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. 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. The balance payable on December 12, 2024, and bears interest at a rate of 5% per annum.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

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

	Carrying amount	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5 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**	**2,913,427**	**2,896,156**	**14,199,993**	**25,875,105**
Notes payable	**15,004,518**	**15,669,742**	**—**	**—**	**—**	**—**	**15,669,742**
Borrowings	**2,438,552**	**2,438,552**	**—**	**—**	**—**	**—**	**2,438,552**
Convertible debentures	**5,412,883**	**1,124,999**	**—**	**—**	**8,953,571**	**—**	**10,078,570**
	50,407,948	**36,303,173**	**2,959,221**	**2,913,427**	**11,849,727**	**14,199,993**	**68,225,541**

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

	Carrying amount $	Year 1 $	Year 2 $	Year 3 $	Year 4 $	Year 5 and thereafter $	Total $
Trade and other payables	9,023,669	9,023,669	—	—	—	—	9,023,669
Lease obligations	11,762,670	2,162,755	2,247,083	2,334,573	2,414,448	16,360,857	25,519,716
Notes payable	6,157,979	6,157,979	—	—	—	—	6,157,979
Borrowings	1,460,000	1,478,763	—	—	—	—	1,478,763
	28,404,318	18,823,166	2,247,083	2,334,573	2,414,448	16,360,857	42,180,127

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 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 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. During the year, there were no transfers of amounts between levels and the Company did not have any financial instruments measured at fair value.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to Note 2 and Note 3 of the audited financial statements for a full discussion of our critical accounting policies and estimates for the fiscal years ended March 31, 2024 and 2023.

OUTSTANDING SHARE DATA

The Company has authorized capital of an unlimited number of common shares with no par value. The Company's outstanding capital was as follows as at the date of this MD&A:

Common shares	116,997,561
Share options	854,166
Warrants	7,717,521

As at March 31, 2024, the Company has a convertible debenture with principal and accrued interest in the amount of $7,408,858, bearing interest at 8% per annum. The convertible debenture is convertible into shares or payable in cash at maturity at the option of the lender. The exercise price of the convertible debenture is $0.5749. Unless converted earlier, the convertible debenture matures on August 8, 2025. For each repayment made prior to maturity, the Company must issue the number of warrants equal to the repayment amount divided by the conversion price of $0.5749.

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.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements: and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52109 Certification of Disclosure in issuers' Annual and Interim filings ("NI 52109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation: and

(ii) a process to provide reasonable assurance regarding the reliability of financial reposting and the preparation of the unaudited condensed interim consolidated financial statements for external purposed in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.