

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 September 30, 2024.

This MD&A for the three and six months ended September 30, 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 unaudited condensed consolidated interim financial statements for the three and six months ended September 30, 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 November 28, 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 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 have increased year-over-year. 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 Cannabis serves as the key hub for cultivation, processing, and distribution for Canadian recreational markets and international markets. Abba serves as the primary fulfillment and distribution asset for the Canadian medical cannabis market. Both ICM and Abba supplement Montréal Cannabis with additional cultivation capacity to meet ongoing demand and growth for the overall Company. As of September 30, 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 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 among the veteran community.

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 and six months ended September 30, 2024 and 2023:

	Three months ended September 30,				Six months ended September 30,			
	2024	2023	Change		2024	2023	Change	
	\$	\$	\$	%	\$	\$	\$	%
Revenue	20,869,898	19,175,770	1,694,128	9%	41,591,130	31,939,557	9,651,573	30%
Gross profit before fair value adjustments	11,317,565	7,290,896	4,026,669	55%	22,510,153	12,177,579	10,332,574	85%
Gross profit	11,785,392	6,685,702	5,099,690	76%	24,889,321	9,960,483	14,928,838	150%
General and administrative	5,761,295	3,249,774	2,511,521	77%	11,512,581	5,701,545	5,811,036	102%
Sales and marketing	493,541	260,733	232,808	89%	993,877	304,792	689,085	226%
Amortization and depreciation	1,363,673	1,037,677	325,996	31%	2,833,593	1,217,029	1,616,564	133%
Share-based compensation	76,952	61,777	15,175	25%	495,370	61,777	433,593	702%
Total operating expenses	7,695,461	4,609,961	3,085,500	67%	15,835,421	7,285,143	8,550,278	117%
Operating income	4,089,931	2,075,741	2,014,190	97%	9,053,900	2,675,340	6,378,560	238%
Adjusted EBITDA	5,091,902	4,021,246	1,070,656	27%	10,126,791	6,422,283	3,704,508	58%

Adjusted earnings (loss) before interest, taxes, depreciation and amortization (“EBITDA”) is a non-IFRS performance measure. See below for further details.

The following table presents the Company’s cash position, total assets and total liabilities as of September 30, 2024 and March 31, 2024:

	As at September 30,	As at March 31,	Change	
	2024	2024	\$	%
	\$	\$	\$	%
Cash	3,272,490	1,352,135	1,920,355	142%
Total assets	80,422,740	71,473,398	8,949,342	13%
Total liabilities	61,990,461	56,847,726	5,142,735	9%

OVERALL FINANCIAL PERFORMANCE

Revenue, net of excise tax, for the three months ended September 30, 2024, was \$20,869,898, an increase of \$1,694,128 or 9%, compared to the equivalent period in the prior year. Revenue, net of excise tax, for the six months ended September 30, 2024, was \$41,591,130, an increase of \$9,651,573 or 30%, compared to the equivalent period in the prior year. The increase is primarily due to increased revenue related to the Canada House Cannabis Group acquisition.

Gross profit before fair value adjustments for the three months ended September 30, 2024, was \$11,317,565, an increase of \$4,026,669 or 55%, compared to the equivalent period in the prior year. Gross profit before fair value adjustments for the six months ended September 30, 2024, was \$22,510,153, an increase of \$10,332,574 or 85%, compared to the equivalent period in the prior year. The increase in gross profit is primarily due to higher revenue and improved margins due to operational efficiencies achieved compared to the equivalent period in the prior year.

The Company concluded the six months ended September 30, 2024, with cash of \$3,272,490 (March 31, 2024 - \$1,352,135). The increase in cash was primarily due to cash flows of \$8,171,583 provided by operating activities, offset by cash used in investing activities of \$2,256,036 and cash used in financing activities of \$3,995,192.

RESULTS OF OPERATIONS

Analysis of the Three and Six Months Ended September 30, 2024 and 2023

	Three months ended September 30,				Six months ended September 30,			
	2024	2023	Change	%	2024	2023	Change	%
	\$	\$	\$	%	\$	\$	\$	%
Revenue								
Product revenue	25,099,126	23,316,333	1,782,793	8%	49,605,134	40,179,628	9,425,506	23%
Referral revenue	1,335,376	899,036	436,340	49%	2,671,632	899,036	1,772,596	197%
Excise tax	(5,564,604)	(5,039,599)	(525,005)	10%	(10,685,636)	(9,139,107)	(1,546,529)	17%
Net Revenue	20,869,898	19,175,770	1,694,128	9%	41,591,130	31,939,557	9,651,573	30%
Cost of sales	9,552,333	11,884,874	(2,332,541)	(20%)	19,080,977	19,761,978	(681,001)	(3%)
Gross profit before fair value adjustments	11,317,565	7,290,896	4,026,669	55%	22,510,153	12,177,579	10,332,574	85%
Fair value adjustments on biological assets	2,393,627	662,343	1,731,284	261%	4,774,327	1,302,566	3,471,761	267%
Fair value adjustments on sale of inventory	(1,925,800)	(1,267,537)	(658,263)	52%	(2,395,159)	(3,519,662)	1,124,503	(32%)
Gross profit	11,785,392	6,685,702	5,099,690	76%	24,889,321	9,960,483	14,928,838	150%
Operating expenses								
General and administrative	5,761,295	3,249,774	2,511,521	77%	11,512,581	5,701,545	5,811,036	102%
Sales and marketing	493,541	260,733	232,808	89%	993,877	304,792	689,085	226%
Amortization and depreciation	1,363,673	1,037,677	325,996	31%	2,833,593	1,217,029	1,616,564	133%
Share-based compensation	76,952	61,777	15,175	25%	495,370	61,777	433,593	702%
Total operating expenses	7,695,461	4,609,961	3,085,500	223%	15,835,421	7,285,143	8,550,278	1,163%
Operating income	4,089,931	2,075,741	2,014,190	97%	9,053,900	2,675,340	6,378,560	238%
Finance expense, net	1,827,305	(1,022,606)	2,849,911	279%	3,616,606	(238,497)	3,855,103	1,616%
Other income	(29,173)	(240,857)	211,684	(88%)	(123,096)	(251,041)	127,945	(51%)
Income before income taxes	2,291,799	3,339,204	(1,047,405)	(31%)	5,560,390	3,164,878	2,395,512	76%
Income tax expense (recovery)	1,046,021	(63,408)	1,109,429	1,750%	2,108,299	(50,886)	2,159,185	4,243%
Net income and comprehensive income for the period	1,245,778	3,402,612	(2,156,834)	(63%)	3,452,091	3,215,764	236,327	7%

Revenue

Revenue, net of excise tax, increased from \$19,175,770 to \$20,869,898 or 9% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Revenue, net of excise tax, increased from \$31,939,557 to \$41,591,130 or 30% for the six months ended September 30, 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 labor, processing, testing, packaging, quality assurance, security, inventory, shipping, depreciation of production equipment, production overhead and other related expenses.

Cost of sales decreased from \$11,884,874 to \$9,955,333 or 20% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Cost of sales decreased from \$19,761,978 to \$19,080,977 or 3% for the six months ended September 30, 2024, compared to the equivalent period in the prior year. The decrease in costs of sales is primarily due to operational efficiencies achieved from 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 and comprehensive income 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 and comprehensive income for the related period.

Fair value adjustments on biological assets increased from \$662,343 to \$2,393,627 or 261% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Fair value adjustments on biological assets increased from \$1,302,566 to \$4,774,327 or 267% for the six months ended September 30, 2024, compared to the equivalent period in the prior year. The increase is primarily due to expanded production capacity as a result of the Canada House Cannabis Group acquisition.

General and administrative

General and administrative expenses for the three and six months ended September 30, 2024 and 2023 are comprised of:

	For the three months ended September 30,				For the six months ended September 30,			
	2024	2023	Change		2024	2023	Change	
	\$	\$	\$	%	\$	\$	\$	%
Salaries, wages and benefits	3,078,763	2,082,709	996,054	48%	6,648,738	2,984,771	3,663,967	123%
General operating costs	1,254,541	317,114	937,427	296%	2,601,331	1,100,095	1,501,236	136%
Occupancy expense (recovery)	95,091	(108,321)	203,412	188%	133,296	(203,734)	337,030	165%
Professional fees	1,332,900	958,272	374,628	39%	2,129,216	1,820,413	308,803	17%
	5,761,295	3,249,774	2,511,521	77%	11,512,581	5,701,545	5,811,036	102%

Salaries, wages and benefits increased from \$2,082,709 to \$3,078,763 or 48% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Salaries, wages and benefits increased from \$2,984,771 to \$6,648,738 or 123% for the six months ended September 30, 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. In both periods, 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 resulting in an increase in headcount.

General operating costs increased from \$317,114 to \$1,254,541 or 296% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. General operating costs increased from \$1,110,095 to \$2,601,331 or 136% for the six months ended September 30, 2024, compared to the equivalent period in the

prior year. In both periods, the increase in general operating costs, compared to the equivalent period in the prior year is due to additional expenses from the Canada House Cannabis Group acquisition.

Occupancy expense increased from a recovery of \$108,321 to an expense of \$95,091 for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Occupancy expense increased from a recovery of \$203,734 to an expense of \$133,296 for the six months ended September 30, 2024, compared to the equivalent period in the prior year. In both periods, the increase in occupancy expense is due to the Company occupying a warehouse facility that was previously leased month-to-month.

Professional fees increased from \$958,272 to \$1,332,900 or 39% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Professional fees increased from \$1,820,413 to \$2,129,216 or 17% for the six months ended September 30, 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 legal fees associated with the RTO Transaction.

Sales and marketing

Sales and marketing increased from \$260,733 to \$493,541 or 89% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Sales and marketing increased from \$304,792 to \$993,877 or 226% for the six months ended September 30, 2024, compared to the equivalent period in the prior year. In both periods, the increase is primarily due to additional expenses from the Canada House Cannabis Group acquisition.

Amortization and depreciation

Amortization and depreciation expense increased from \$1,037,677 to \$1,363,673 or 31% for the three months ended September 30, 2024, compared to the equivalent period in the prior year. Amortization and depreciation expense increased from \$1,217,029 to \$2,833,593 or 133% for the six months ended September 30, 2024, compared to the equivalent period in the prior year. In both periods, the increase 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 September 30, 2024 increased by \$2,849,911 or 279% compared to the equivalent period in the prior year. Finance expense for the six months ended September 30, 2024 increased by \$3,855,103 or 1,616% compared to the equivalent period in the prior year. In both periods, the increase was primarily due to higher interest expense and accretion incurred on financial liabilities assumed in the Canada House Cannabis Group acquisition, compounded by a favourable change of \$2,378,000 in the fair value of financial liabilities in the equivalent period in the prior year.

ADJUSTED 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 and six months ended September 30, 2024, income (loss) from continuing operations, as reported, is also adjusted for severance costs on restructuring due to the Canada House Cannabis Group acquisition.

	For the three months ended September 30,				For the six months ended September 30,			
	2024	2023	Change		2024	2023	Change	
	\$	\$	\$	%	\$	\$	\$	%
Net income (loss)	1,245,778	3,402,612	(2,156,834)	(63%)	3,452,091	3,215,764	236,327	7%
Fair value adjustments	(467,827)	605,194	(1,073,021)	(177%)	(2,379,168)	2,217,096	(4,596,264)	(207%)
Share-based compensation	76,952	61,777	15,175	25%	495,370	61,777	433,593	702%
Finance expense, net	1,827,305	(1,022,606)	2,849,911	279%	3,616,606	(238,497)	3,855,103	1,616%
Amortization and depreciation	1,363,673	1,037,677	325,996	31%	2,833,593	1,217,029	1,616,564	133%
Tax expense	1,046,021	(63,408)	1,109,429	1,750%	2,108,299	(50,886)	2,159,185	4,243%
Adjusted EBITDA	5,091,902	4,021,246	1,070,656	27%	10,126,791	6,422,283	3,704,508	58%

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters commencing October 1, 2022, and ended September 30, 2024. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements for the year ended March 31, 2024, and the financial statements for the period ended September 30, 2024. This data should be read in conjunction with our audited annual financial statements for the year ended March 31, 2024 and the financial statements for the period ended September 30, 2024. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
	\$	\$	\$	\$
Total Revenue	26,434,502	25,842,264	18,448,676	23,705,954
Net Revenue	20,869,898	20,721,232	14,191,894	19,331,624
Gross profit before fair value adjustments	11,317,565	11,192,588	8,154,277	9,815,911
Operating income	4,089,931	4,963,969	1,300,424	1,876,890
Net income (loss)	1,245,778	2,206,313	891,518	(248,286)
Net income (loss) per share - basic	0.011	0.019	0.008	(0.002)
Net income (loss) per share - diluted	0.011	0.019	0.008	(0.002)

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$
Total Revenue	24,215,369	16,863,295	10,726,603	8,695,241
Net Revenue	19,175,770	12,763,787	8,194,304	6,722,820
Gross profit before fair value adjustments	7,290,896	4,886,683	1,481,737	2,472,974
Operating income	2,075,741	599,599	(276,861)	(1,631,061)
Net income (loss)	3,402,612	(186,848)	(332,004)	(1,741,476)
Net income (loss) per share - basic	0.036	(0.004)	(0.007)	(0.038)
Net income (loss) per share - diluted	0.036	(0.004)	(0.007)	(0.038)

FINANCIAL POSITION

As at	September 30, 2024	March 31, 2024	Change	
	\$	\$	\$	%
ASSETS				
Current assets				
Cash	3,272,490	1,352,135	1,920,355	142%
Trade and other receivables	8,971,793	6,774,677	2,197,116	32%
Inventory	12,335,487	8,633,786	3,701,701	43%
Biological assets	2,306,769	1,550,427	756,342	49%
Prepaid expenses and deposits	1,162,334	1,874,977	(712,643)	-38%
Total current assets	28,048,873	20,186,002	7,862,871	39%
Non-current assets				
Prepaid expenses and deposits	730,921	—	730,921	100%
Right-of-use assets, net	12,523,845	11,272,904	1,250,941	11%
Property, plant and equipment, net	18,530,718	17,453,109	1,077,609	6%
Intangible assets and goodwill, net	20,588,383	22,561,383	(1,973,000)	-9%
Total non-current assets	52,373,867	51,287,396	1,086,471	2%
TOTAL ASSETS	80,422,740	71,473,398	8,949,342	13%
LIABILITIES				
Current liabilities				
Trade and other payables	15,525,070	14,163,572	1,361,498	10%
Income taxes payable	1,646,052	879,478	766,574	87%
Lease obligations	849,190	706,420	142,770	20%
Notes payable	14,279,547	15,004,518	(724,971)	-5%
Borrowings	2,456,513	2,438,552	17,961	1%
Convertible debentures	6,047,748	1,124,999	4,922,749	438%
Total current liabilities	40,804,120	34,317,539	6,486,581	19%
Non-current liabilities				
Lease obligations - non-current	14,328,908	12,682,003	1,646,905	13%
Convertible debentures - non-current	—	4,287,884	(4,287,884)	-100%
Provision	4,687,000	4,493,000	194,000	4%
Deferred tax liability	2,170,433	1,067,300	1,103,133	103%
Total liabilities	61,990,461	56,847,726	5,142,735	9%
SHAREHOLDERS' EQUITY				
Share capital	11,075,877	11,075,877	—	0%
Contributed surplus	4,712,476	4,163,960	548,516	13%
Retained earnings (deficit)	2,643,926	(614,165)	3,258,091	530%
Total shareholders' equity	18,432,279	14,625,672	3,806,607	26%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	80,422,740	71,473,398	8,949,342	13%

Assets

For the period ended September 30, 2024 compared to the year ended March 31, 2024

Trade and other receivables increased by \$2,197,116 or 32%. The reasons for the increase are as follows:

- (i) an increase of \$1,295,757 in trade receivables;
- (ii) an increase of \$943,949 in sales tax receivable;
- (iii) a decrease of \$30,432 in other receivables; and
- (iv) an increase of \$12,158 in expected credit losses.

Inventory increased by \$3,701,701 or 43%, primarily due to an increase in work in process of \$2,006,080, an increase in finished goods of \$1,063,909, and a decrease in the inventory provision of \$631,712.

Right-of-use assets increased by \$1,250,941 or 11%, primarily due to additions of \$2,164,004, and a modification of \$33,219. The increases were offset by \$904,964 of depreciation expense and the termination of a lease of \$41,318.

Property, plant and equipment increased by \$1,077,609 or 6%, primarily due to additions of \$2,256,036, offset by \$1,178,427 of depreciation expense.

Intangible assets and goodwill decreased by \$1,973,000 or 9%. The decrease is due to \$1,973,000 of amortization expense.

Liabilities

For the period ended September 30, 2024 compared to the year ended March 31, 2024

Trade and other payables increased by \$1,361,498 or 10%, primarily due to the timing of invoices and payments.

Income taxes payable increased by \$766,574 or 87%, primarily due to timing of payments and an increased provision.

Lease obligations increased by \$1,789,675 or 13%, primarily due to \$2,164,004 of additions, interest expense of \$1,300,592, and a modification of \$33,219. These increases were offset by payments of \$1,663,907, and the termination of a lease in the amount of \$44,233.

Notes payable decreased by \$724,971 or 5%, primarily due to repayments of \$1,905,630, offset by interest expense of \$1,180,659.

Borrowings increased by \$17,961 or 1%, primarily due to interest expense of \$157,475, offset by repayments of \$139,514.

Convertible debentures increased by \$634,865 or 12%, primarily due to interest expense of \$921,006, offset by repayments of \$286,141.

Provision increased by \$194,000 or 4%, due to interest accretion on the amount 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 \$1,103,133 or 103%, primarily due to deferred tax expense recognized during the period.

Shareholders' equity

For the period ended September 30, 2024 compared to the year ended March 31, 2024

Contributed surplus increased by \$548,516 or 13%, primarily due to share-based compensation of \$495,370 for the period and warrants issued with a value of \$53,146.

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 has 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 September 30, 2024, the Company had cash of \$3,272,490 representing an increase of \$1,920,355 from March 31, 2024. This increase is primarily due to \$8,171,583 of cash provided by operating activities, offset by \$2,256,036 of cash used in investing activities and \$3,995,192 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

	For the six months ended September 30,	
	2024	2023
	\$	\$
Cash	3,272,490	3,258,259
Net cash provided by (used in):		
Operating activities	8,171,583	7,217,932
Investing activities	(2,256,036)	243,043
Financing activities	(3,995,192)	(4,640,267)
Net increase in cash	1,920,355	2,820,708

Cash Flows provided by Operating Activities

Cash provided by operating activities for the six months ended September 30, 2024, was \$8,171,583 compared to cash provided operating activities of \$7,217,932 for the six months ended September 30, 2023. The increase in cash provided by operating activities for the six months ended September 30, 2024, compared to the equivalent period in the prior year, is primarily due an increase in net income of \$236,327, an increase in items not affecting cash of \$2,976,994, and a decrease in non-cash working capital balances of \$2,259,670.

Cash Flows used in Investing Activities

Cash used in investing activities for the six months ended September 30, 2024, was \$2,256,036 compared to cash provided by investing activities of \$243,043 for the six months ended September 30, 2023. The decrease in cash used in investing activities is related to purchases of property and equipment of \$2,256,036 compared to \$771,302 in the equivalent period in the prior year, and net cash acquired from the acquisition of Canada House Cannabis Group of \$1,014,345 in the equivalent period in the prior year.

Cash Flows used in Financing Activities

Cash used in financing activities for the six months ended September 30, 2024, was \$3,995,192 compared to cash used in financing activities of \$4,640,267 for the six months ended September 30, 2023. The decrease in cash used in financing activities is primarily driven by repayment of notes payable, convertible debentures and borrowings of \$2,331,285 and payment of lease obligations of \$1,663,907 compared to repayment of notes payable, convertible debentures and borrowings of \$3,448,272 and payment of lease obligations of \$1,191,995 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 Financial Officer, Chief Cultivation Officer, Chief Operating Officer, and President.

On August 30, 2022, the Company completed the Tranche One Closing whereby Canada House Cannabis Group 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 Cannabis Group to the shareholders of MTL Cannabis. This resulted in MTL Cannabis being considered a related party to Canada House Cannabis Group and its subsidiaries, ICM and Abba.

The Tranche Two Closing was completed on July 28, 2023 and resulted in Canada House Cannabis Group 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 Cannabis Group.

Compensation expense which consists of salaries and benefits for the Company's key management personnel for the three and six months ended September 30, 2024, was \$657,502 and \$1,284,242 (2023 – \$191,736 and \$326,355).

As of September 30, 2024, the Company had an outstanding receivable balance of \$74,393 from a company owned by key management personnel (March 31, 2024 – \$nil).

During the three and six months ended September 30, 2024, the Company purchased \$498,386 and \$2,401,588 (2023 – \$302,455 and \$1,197,358) of equipment and services at market rates from companies owned by key management personnel. As of September 30, 2024, the Company had an outstanding balance of \$3,221,186 (March 31, 2024 – \$283,497) recorded in trade and other payables.

During the three and six months ended September 30, 2024, the Company made rental and lease payments to related parties totaling \$830,067 and \$1,880,672 (2023 – \$623,517 and \$1,150,905).

During the three and six months ended September 30, 2024, the Company accrued interest of \$193,625 and \$381,629 (2023 – \$245,054 and \$506,337) on a notes payable balance from a company controlled by the Chief Cultivation Officer and Chief Operating Officer. The Company repaid \$187,928 and \$678,052 during the three and six months ended September 30, 2024 (2023 – \$666,601 and \$1,016,601). As of September 30, 2024, the Company had an outstanding balance payable of \$4,469,552 (March 31, 2024 – \$4,765,975) 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 three and six months ended September 30, 2024, the Company accrued interest of \$166,076 and \$386,737 (2023 – \$129,766 and \$129,766) on a promissory note from a director. The Company repaid \$46,487 and \$266,236 during the three and six months ended September 30, 2024 (2023 – \$nil and \$nil). As of September 30, 2024, the Company had an outstanding balance payable of \$4,183,790 (March 31, 2024 – \$4,307,648) recorded in notes payable (Note 10). On July 28, 2024, the Company extended the maturity date of the note from December 12, 2024 to June 2, 2025. The balance payable 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 September 30, 2024, one customer represented 44% of the outstanding receivable balance (March 31, 2024 – one customer represented 39%). For the six months ended September 30, 2024, two customers accounted for more than 10% of the Company's revenue (2023 – three customers accounted for more than 10% of the Company's revenue)

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:

	September 30,	March 31,
	2024	2024
	\$	\$
Current	1,700,854	1,313,407
1 – 30 days past due	5,008,011	4,785,429
31 – 60 days past due	914,889	263,034
Greater than 60 days past due	474,738	440,865
	8,098,492	6,802,735
Less: expected credit losses	(271,869)	(259,711)
	7,826,623	6,543,024

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 September 30, 2024:

	Carrying amount	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	15,525,070	15,525,070	—	—	—	—	15,525,070
Lease obligations	15,178,098	3,371,315	3,383,605	3,355,308	3,387,462	15,031,372	28,529,062
Notes payable	14,279,547	14,563,730	—	—	—	—	14,563,730
Borrowings	2,456,513	2,534,536	—	—	—	—	2,534,536
Convertible debentures	6,047,748	8,903,998	—	—	—	—	8,903,998
	53,486,976	44,898,650	3,383,605	3,355,308	3,387,462	15,031,372	70,056,397

The Company was 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

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 September 30, 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 September 30, 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 September 30, 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	6,564,997
Warrants	8,152,379

As at September 30, 2024, the Company has a convertible debenture with principal and accrued interest in the amount of \$7,799,293, 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.

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 reporting and the preparation of the unaudited condensed interim consolidated financial statements for external purposes 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.