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

Condensed Consolidated Interim Financial Statements

For the three and six months ended September 30, 2024 and 2023

[unaudited] [Expressed in Canadian dollars]

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of MTL Cannabis Corp. (formerly Canada House Cannabis Group Inc.) [the "Company"] have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

Condensed Consolidated Interim Statements of Financial Position
[unaudited] [expressed in Canadian dollars]

As at	Notes	**September 30, 2024** **$**	March 31, 2024 $
ASSETS			
Current assets			
Cash		**3,272,490**	1,352,135
Trade and other receivables	4	**8,971,793**	6,774,677
Inventory	5	**12,335,487**	8,633,786
Biological assets	6	**2,306,769**	1,550,427
Prepaid expenses and deposits		**1,162,334**	1,874,977
		28,048,873	20,186,002
Non-current assets			
Prepaid expenses and deposits		**730,921**	—
Right-of-use assets, net	7	**12,523,845**	11,272,904
Property, plant and equipment, net	8	**18,530,718**	17,453,109
Intangible assets and goodwill, net	9	**20,588,383**	22,561,383
TOTAL ASSETS		**80,422,740**	71,473,398
LIABILITIES			
Current liabilities			
Trade and other payables		**15,525,070**	14,163,572
Income taxes payable		**1,646,052**	879,478
Lease obligations	7	**849,190**	706,420
Notes payable	10	**14,279,547**	15,004,518
Borrowings	11	**2,456,513**	2,438,552
Convertible debentures	12	**6,047,748**	1,124,999
		40,804,120	34,317,539
Non-current liabilities			
Lease obligations	7	**14,328,908**	12,682,003
Convertible debentures	12	**—**	4,287,884
Provision	3	**4,687,000**	4,493,000
Deferred tax liability		**2,170,433**	1,067,300
		61,990,461	56,847,726
SHAREHOLDERS' EQUITY			
Share capital	13	**11,075,877**	11,075,877
Contributed surplus	13	**4,712,476**	4,163,960
Retained earnings (deficit)		**2,643,926**	(614,165)
		18,432,279	14,625,672
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**80,422,740**	71,473,398
Commitments	18		

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

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

Consolidated statements of income and comprehensive income

[expressed in Canadian dollars, except number of shares]

	Notes	Three months ended September 30, 2024	Three months ended September 30, 2023	Six months ended September 30, 2024	Six months ended September 30, 2023
		$	$	**$**	$
Revenue					
Product revenue		**25,099,126**	23,316,333	**49,605,134**	40,179,628
Referral revenue and other		**1,335,376**	899,036	**2,671,632**	899,036
Excise tax		**(5,564,604)**	(5,039,599)	**(10,685,636)**	(9,139,107)
Net Revenue		**20,869,898**	19,175,770	**41,591,130**	31,939,557
Cost of sales		**9,552,333**	11,884,874	**19,080,977**	19,761,978
Gross profit before fair value adjustments		**11,317,565**	7,290,896	**22,510,153**	12,177,579
Unrealized fair value adjustments on biological assets	6	**2,393,627**	662,343	**4,774,327**	1,302,566
Realized fair value adjustments on sale of inventory		**(1,925,800)**	(1,267,537)	**(2,395,159)**	(3,519,662)
Gross profit		**11,785,392**	6,685,702	**24,889,321**	9,960,483
Operating expenses					
General and administrative	16	**5,761,295**	3,249,774	**11,512,581**	5,701,545
Sales and marketing		**493,541**	260,733	**993,877**	304,792
Amortization and depreciation	7,8,9	**1,363,673**	1,037,677	**2,833,593**	1,217,029
Share-based compensation	13	**76,952**	61,777	**495,370**	61,777
		7,695,461	4,609,961	**15,835,421**	7,285,143
Operating income		**4,089,931**	2,075,741	**9,053,900**	2,675,340
Finance expense (income), net	15	**1,827,305**	(1,022,606)	**3,616,606**	(238,497)
Other income		**(29,173)**	(240,857)	**(123,096)**	(251,041)
Income before income taxes		**2,291,799**	3,339,204	**5,560,390**	3,164,878
Income tax expense (recovery)		**1,046,021**	(63,408)	**2,108,299**	(50,886)
Net income and comprehensive income for the period		**1,245,778**	3,402,612	**3,452,091**	3,215,764
Income per share - basic and diluted	14	**$ 0.011**	$ 0.036	**$ 0.030**	$ 0.045
Weighted average number of common shares outstanding - basic and diluted		**116,997,561**	95,436,040	**116,997,561**	70,928,956

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

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended September 30, 2024 and 2023

[unaudited] [expressed in Canadian dollars, except number of shares]

	Common shares		Warrants	Contributed surplus	Retained earnings (deficit)	Total
	#	$	$	$	$	$
Balance as at March 31, 2024	116,997,561	11,075,877	7,717,521	4,163,960	(614,165)	14,625,672
Issuance of warrants (Note 13)	—	—	434,858	53,146	—	53,146
Issuance of share options (Note 13)	—	—	—	495,370	—	495,370
Remeasurement of amount payable to pre-RTO existing MTL Cannabis Corp. shareholders (Note 3)	—	—	—	—	(194,000)	(194,000)
Comprehensive income	—	—	—	—	3,452,091	3,452,091
Balance as at September 30, 2024	**116,997,561**	**11,075,877**	**8,152,379**	**4,712,476**	**2,643,926**	**18,432,279**

Balance as at March 31, 2023	46,152,564	100	—	111,430	1,429,312	1,540,842
Common shares warrants and options issued in connection with business acquisition (Note 3)	70,844,997	11,075,777	5,978,089	1,377,000	—	12,452,777
Amount payable to the pre-RTO existing MTL Cannabis Corp. shareholders	—	—	—	—	(4,358,000)	(4,358,000)
Transfer of conversion feature liability to contributed surplus (Note 12)	—	—	—	2,740,000	—	2,740,000
Transfer of warranty liability to contributed surplus (Note 12)	—	—	—	310,000	—	310,000
Deferred tax impact of conversion feature and warrant liability	—	—	—	(741,638)	—	(741,638)
Comprehensive income	—	—	—	—	3,215,764	3,215,764
Balance as at September 30, 2023	**116,997,561**	**11,075,877**	**5,978,089**	**3,796,792**	**287,076**	**15,159,745**

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

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

Condensed Consolidated Interim Statements of Cash Flows
[unaudited] [expressed in Canadian dollars]

For the six months ended September 30,	Notes	2024 $	2023 $
Operating activities:			
Net income for the year		**3,452,091**	3,215,764
Add (deduct) items not affecting cash:			
Deferred tax expense (recovery)		**1,103,133**	(1,019,502)
Amortization and depreciation		**3,878,815**	1,905,771
Inventory impairment provision	5	**—**	150,000
Change in fair value adjustments on inventory sold		**2,395,159**	3,519,662
Change in fair value of biological assets		**(4,774,327)**	(1,302,566)
Expected credit losses	4	**12,158**	538,737
Share-based compensation	13	**495,370**	61,777
Other (income) loss		**(2,915)**	—
Finance expense	15	**3,612,878**	(110,602)
		10,172,362	6,959,041
Changes in non-cash working capital items:			
Trade and other receivables		**(2,209,274)**	1,704,553
Inventory		**(5,919,284)**	(1,805,313)
Biological assets		**4,017,985**	1,710,097
Prepaid expenses and deposits		**(18,278)**	(594,555)
Trade and other payables		**1,361,498**	(1,533,225)
Income taxes payable		**766,574**	777,334
Cash flows provided by operating activities		**8,171,583**	7,217,932
Investing activities:			
Purchase of property, plant and equipment	8	**(2,256,036)**	(771,302)
Net cash acquire in business acquisition	3	**—**	1,104,345
Cash flows (used in) provided by investing activities		**(2,256,036)**	243,043
Financing activities:			
Repayment of notes payable	10	**(1,905,630)**	(1,016,601)
Repayment of borrowings	11	**(139,514)**	(2,413,461)
Repayment of convertible debentures	12	**(286,141)**	(18,210)
Payment of lease obligations	7	**(1,663,907)**	(1,191,995)
Cash flows used in financing activities		**(3,995,192)**	(4,640,267)
Net change in cash during the period		**1,920,355**	2,820,708
Cash, beginning of the period		**1,352,135**	437,551
Cash, end of the period		**3,272,490**	3,258,259

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

1 Nature of business

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

These unaudited condensed consolidated interim financial statements (“financial statements”) of the Company for the six months ended September 30, 2024 and 2023, comprise the results of the Company and its wholly owned subsidiaries Montréal Cannabis Médical Inc. (“MTL Cannabis”), Abba Medix Corp. ("Abba"), Canada House Clinics Inc. (“CHC”), The Longevity Project Corp. ("TLP"), IsoCanMed Inc. (“IsoCanMed”), and Margaree Health Group Inc. (“Margaree”).

Reverse Take Over (“RTO”) Transaction

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

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

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

2 Basis of preparation

Statement of compliance

These financial statements were prepared using the same accounting policies and methods as those used in the Company’s audited financial statements for the year ended March 31, 2024. These financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. These financial statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2024.

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

Functional currency and presentation currency

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

Use of estimates and judgments

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

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

New standards, amendments and interpretations recently adopted by the Company

IAS 1 – Presentation of financial statements ("IAS 1")

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

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

IFRS 16 – Leases ("IFRS 16")

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

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

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

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

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

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

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

Comparative figures

Certain prior year comparative figures were reclassified and restated as follows:

- A decrease in cost of sales of $220,000, due to a Canada House purchase price allocation measurement period adjustment for inventory that was previously impaired
- An increase in revenue of $169,406, due to a Canada House purchase price allocation measurement period adjustment for orders in transit
- A decrease in general and administrative expenses of $1,152,176, due to a purchase price allocation measurement period adjustment relating to the recovery of intercompany bad debt expense previously included in purchase consideration
- An increase in general and administrative expenses of $209,612 due to a purchase price allocation measurement period adjustment relating to intercompany and working capital adjustments
- An increase in amortization and depreciation expense of $318,278 due to a Canada House purchase price allocation measurement period adjustment increasing the value of acquired intangible assets
- A decrease in amortization and depreciation expense of $226,292 due to a Canada House purchase price allocation measurement period adjustment decreasing the value of acquired property, plant and equipment

- An increase in finance expense, net of $15,435 due to a Canada House price allocation measurement period adjustment increasing the value of acquired convertible debentures
- A decrease in income tax expense of $184,924 due to a Canada House price allocation measurement period adjustment decreasing the value of acquired the acquired deferred tax liability
- An increase in share capital of $11,014,000 due to a reclassification from contributed surplus relating to the share consideration to stockholders from the Canada House acquisition
- An increase in contributed surplus of $1,614,000 due to a Canada House price allocation measurement period adjustment increasing the total consideration from shares, and replacement options and warrants

Summary of significant accounting policies adopted in the period

The Company grants equity-settled share options to purchase common shares to certain employees and officers. Share options generally vest over 4 years and expire after 5 years.

The fair value of the share options is determined using the Black-Scholes option-pricing model. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in the share options note.

[unaudited] [expressed in Canadian dollars, except share amounts]

3 Business combination

Acquisition of Canada House

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

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

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

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

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

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

[unaudited] [expressed in Canadian dollars, except share amounts]

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

As a part of the acquisition of Canada House on July 28, 2023, an amount was payable to the pre-RTO existing shareholders of MTL Cannabis if certain revenue targets are achieved during the first and second twelve month periods following the Tranche Two Closing. The maximum amount payable to the pre-RTO existing shareholders of MTL Cannabis is $5,000,000. The Company uses a scenario-based model to independently assess individual earn-outs and calculate the best estimate of the earn-out based on probabilities of success attributable to each individual scenario in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. The provision of the amount payable was determined to be $4,358,000. The Company determined that the obligation was not part of the RTO Transaction under *IFRS 3 – Business Combinations*. The provision is recorded as a liability on the consolidated statements of financial position and a charge to retained earnings for distribution of equity to pre-RTO existing shareholders within the consolidated statement of changes in shareholders' equity. During the year ended March 31, 2024, the Company recognized $135,000, in the consolidated statement of changes in shareholder's equity, for accretion of the amount payable to the shareholders of MTL Cannabis. During the six months ended September 30, 2024, the Company recognized an additional $194,000 for accretion of the amount payable to the shareholders of MTL Cannabis. As at September 30, 2024, the total provision was $4,687,000.

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

4 Trade and other receivables

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

	September 30, 2024	March 31, 2024
	$	$
Trade receivables	**8,098,492**	6,802,735
SR&ED receivables	**86,116**	86,116
Sales tax receivables	**1,054,884**	110,935
Other receivables	**4,170**	34,602
Less: expected credit losses	**(271,869)**	(259,711)
	8,971,793	6,774,677

For trade receivables, the change in allowance for credit losses for the six months ended September 30, 2024 was as follows:

	September 30, 2024
	$
Opening balance	**259,711**
Addition in allowance for credit losses	**12,158**
Closing balance	**271,869**

[unaudited] [expressed in Canadian dollars, except share amounts]

5 Inventory

The Company's inventory consists of the following:

	September 30, 2024	March 31, 2024
	$	$
Inventory – Work in process	**8,588,267**	6,582,187
Inventory – Finished goods	**5,419,305**	4,355,396
Carrying value	**14,007,572**	10,937,583
Less: provision	**(1,672,085)**	(2,303,797)
	12,335,487	8,633,786

During the three and six months ended September 30, 2024, the Company expensed $8,970,110 and $17,949,015 of inventory in cost of sales (2023 – $10,439,793 and $17,002,298). Included in the amount of inventory expensed to cost of sales is $465,189 and $1,045,222 (2023 – $360,353 and $680,046) of depreciation allocated from property and equipment and ROU assets.

As of September 30, 2024, the carrying value of inventory includes $666,759 of inventoried depreciation costs (March 31, 2024 – $620,933).

6 Biological assets

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

	$
Balance – March 31, 2023	1,260,189
RTO Transaction (Note 3)	442,450
Production costs capitalized	7,110,219
Changes in fair values less costs to sell due to biological transformation	2,845,987
Transferred to inventory upon harvest	(10,108,418)
Balance – March 31, 2024	1,550,427
Production costs capitalized	3,890,969
Changes in fair values less costs to sell due to biological transformation	4,970,463
Plants sold during the period	(137,848)
Transferred to inventory upon harvest	(7,967,242)
Balance – September 30, 2024	**2,306,769**

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

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

[unaudited] [expressed in Canadian dollars, except share amounts]

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

		As at September 30, 2024		**As at March 31, 2024**	
	Assumption:	**Input**	**10% change**	**Input**	**10% change**
i	Weighted average of expected loss of plants until harvest [a]	18%	$44,145	6%	$9,940
ii	Expected yields (dry grams of cannabis per plant) [b]	562 grams of dry flower	$230,677	548 grams of dry flower	$155,042
iii	Weighted average number of growing weeks completed as a percentage of total growing weeks as at year-end	46%	$230,677	42%	$155,042
iv	Estimated selling price (per gram) [c]	$1.79 per gram dried flower	$412,999	$1.76 per gram dried flower	$299,732
v	After harvest cost to complete and sell (per gram)	$0.80 per gram dried flower	$182,324	$0.87 per gram dried flower	$144,690

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

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

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

The Company estimates the harvest yields for cannabis at various stages of growth. As of September 30, 2024, it is expected that the Company’s biological assets will yield approximately 4,975,758 (March 31, 2024 – 4,153,916) grams of dry cannabis flower when harvested. The fair value adjustments on biological assets are presented separately on the statements of income and comprehensive income.

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

7 Leases

Right-of-use asset

Cost	**$**
Balance – March 31, 2024	15,222,565
Additions	2,164,004
Termination	(43,419)
Modification	33,219
Balance – September 30, 2024	**17,376,369**
Accumulated depreciation	
Balance – March 31, 2024	3,949,661
Depreciation	904,964
Termination	(2,101)
Balance – September 30, 2024	**4,852,524**
Net Balance – March 31, 2024	11,272,904
Net Balance – September 30, 2024	**12,523,845**

[unaudited] [expressed in Canadian dollars, except share amounts]

Lease obligations

	$
Balance – March 31, 2024	13,388,423
Additions	2,164,004
Interest accretion	1,300,592
Lease payments	(1,663,907)
Termination	(44,233)
Modification	33,219
Balance – September 30, 2024	**15,178,098**
Current	849,190
Non-current	14,328,908

The Company's right-of-use assets and lease obligations relate to the Company's warehouse and office premises. On closing of the RTO Transaction, the Company also acquired leases related to a licensed cultivation facility and clinics.

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

	$
Less than one year	3,371,315
One to two years	3,383,605
Two to three years	3,355,308
Three to four years	3,387,462
Thereafter	15,031,372
Total undiscounted lease payments payable	28,529,062
Less: impact of present value	(13,350,964)
Balance – September 30, 2024	**15,178,098**

The Company received rental income of $7,495 and $14,990 during the three and six months ended September 30, 2024 (2023 – $100,409 and $195,821) relating to the short-term rental of unused warehouse facilities, which has been included in general and administrative expenses on the condensed consolidated interim statements of income and comprehensive income.

On April 1, 2024, the Company commenced a lease for additional space at its production facility with a termination date of March 31, 2033. As a result of the additional space, the Company recognized an additional right-of-use asset and lease liability in the amount of $2,064,762.

On April 1, 2024, the Company commenced a lease for a new clinic in Greenwood, Nova Scotia with a termination date of March 31, 2029. As a result of the new clinic, the Company recognized an additional right-of-use asset and lease liability in the amount of $99,242.

On April 12, 2024, the Company modified its lease agreement at a clinic in Pembroke, Ontario. The modification extended the lease and increased the monthly payments. As a result of the modification, the Company remeasured the lease liability by discounting the revised lease payments using a revised discount rate and made a corresponding increase to the ROU asset in the amount of $33,219.

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

[unaudited] [expressed in Canadian dollars, except share amounts]

8 Property, plant and equipment

	Equipment and supplies	Computer equipment	Leasehold improvements	Building	Land	Total
	$	$	$	$	$	$
Cost						
Balance, March 31, 2024	7,680,047	169,013	873,238	11,991,297	621,957	21,335,552
Additions	82,477	48,454	2,041,872	83,233	—	2,256,036
Balance, September 30, 2024	**7,762,524**	**217,467**	**2,915,110**	**12,074,530**	**621,957**	**23,591,588**
Accumulated depreciation						
Balance, March 31, 2024	3,394,969	46,702	59,998	380,774	—	3,882,443
Depreciation	482,716	21,171	45,487	629,053	—	1,178,427
Balance, September 30, 2024	**3,877,685**	**67,873**	**105,485**	**1,009,827**	**—**	**5,060,870**
Carrying value						
Balance, March 31, 2024	4,285,078	122,311	813,240	11,610,523	621,957	17,453,109
Balance, September 30, 2024	**3,884,839**	**149,594**	**2,809,625**	**11,064,703**	**621,957**	**18,530,718**

During the three and six months ended September 30, 2024, the Company allocated $495,535 and $833,140 (2023 – $151,607 and $329,953) of depreciation expense to the production of biological assets and inventory.

9 Intangible assets and goodwill

	Customer relationships	License	Technology	Trademarks and brand	Goodwill	Total
Cost	$	$	$	$	$	$
Balance, March 31, 2024	8,040,000	3,340,000	390,000	820,000	12,602,050	25,192,050
Balance, September 30, 2024	**8,040,000**	**3,340,000**	**390,000**	**820,000**	**12,602,050**	**25,192,050**
Accumulated amortization						
Balance, March 31, 2024	1,340,000	1,113,333	52,000	125,334	—	2,630,667
Amortization	1,005,000	835,000	39,000	94,000	—	1,973,000
Balance, September 30, 2024	**2,345,000**	**1,948,333**	**91,000**	**219,334**	**—**	**4,603,667**
Carrying Value						
Balance, March 31, 2024	6,700,000	2,226,667	338,000	694,666	12,602,050	22,561,383
Balance, September 30, 2024	**5,695,000**	**1,391,667**	**299,000**	**600,666**	**12,602,050**	**20,588,383**

[unaudited] [expressed in Canadian dollars, except share amounts]

10 Notes payable

The following table presents the notes payable for the Company:

	September 30, 2024	March 31, 2024
	$	$
Due to related parties [i]	**4,469,552**	4,765,975
Promissory notes [ii]	**9,809,995**	10,238,543
Total notes payable	**14,279,547**	15,004,518

[i] Due to related parties

Notes payable are due to certain related parties of the Company. The notes payable bear interest at 17% per annum and are unsecured. As of September 30, 2024, $nil (March 31, 2024 – $4,765,975) of notes payable are due on demand.

On July 25, 2024, the Company and the related parties entered into amending agreements for the notes payable. The amended agreements delayed repayment of the principal and accrued and outstanding interest until June 1, 2025. All other terms of the notes remained the same.

	September 30, 2024	March 31, 2024
	$	$
Balance – Beginning of period	**4,765,975**	6,157,979
Advances	**—**	4,995
Interest expense	**381,629**	937,655
Repayments	**(678,052)**	(2,334,654)
Balance – End of period	**4,469,552**	4,765,975

[ii] Promissory notes

On July 28, 2023, as part of the RTO Transaction (Note 3), the Company assumed three promissory notes (the “ISO Promissory Notes”) each with a principal value of $4,167,667, for an aggregate amount of $12,500,000, bearing interest at 5% payable annually. The maturity dates of the three promissory notes are December 12, 2023, June 12, 2024, and December 12, 2024. Until maturity, the principal amount of $666,667 of each note may be converted into common shares of the Company, at the option of the noteholder, at a conversion price of $1.50. The promissory notes are secured by a general security agreement registered against the assets of IsoCanMed. On closing of the RTO Transaction, the Company determined that the fair value of the ISO Promissory Notes was $10,875,572.

As a part of the RTO Transaction, the Company also issued 333,333 replacement warrants to each noteholder for an aggregate issuance of 999,999 replacement warrants. The warrants had an exercise price of $1.20 and were exercisable up to August 30, 2025. The fair value of these replacement warrants were included as a part of the purchase consideration (see Note 3 and Note 13(c)).

On December 11, 2023, the Company and one of the note holders agreed to amend one of the promissory notes (the “Amended ISO Promissory Note”). The Amended ISO Promissory note extended the maturity date from December 12, 2023 to April 30, 2024. In exchange for the extension, the Company repaid $1,000,000 of the outstanding principal of the promissory note and amended the terms of outstanding warrants (see Note 13). The exercise price of 333,333 warrants issued in conjunction with the ISO Promissory Notes were reduced from $1.20 per common share to $0.66 per share. The warrants were also amended to include a clause where, if the closing price of the common shares for ten consecutive trading days exceeds $0.825 per Share (the "Accelerated Period"), the expiry date of the Warrants will be automatically accelerated without any further action on the part of the Company or the holder of the Warrants to a date that is 30 days following the end of the Accelerated Period.

The Company determined that the Amended ISO Promissory note was a substantial modification. Therefore, the Company extinguished the existing debt of $3,244,863 and recognized new debt with a fair value of $3,035,956.

[unaudited] [expressed in Canadian dollars, except share amounts]

On July 28, 2024, the Company and all of the note holders agreed to amend the promissory notes (the "Second Amended ISO Promissory Notes"). The Second Amended ISO Promissory Notes extended the maturity date for all notes to June 2, 2025. Previously, two notes were due on demand, and one note was due on December 12, 2024. All other terms of the notes remained the same.

	September 30, 2024	March 31, 2024
	$	**$**
Balance – Beginning of period	**10,238,543**	—
Acquisition	**—**	10,875,572
Interest expense	**799,030**	1,571,878
Repayments	**(1,227,578)**	(2,000,000)
Gain on extinguishment	**—**	(208,907)
Balance – End of period	**9,809,995**	10,238,543

11 Borrowings

The following table presents the borrowings for the Company:

	September 30, 2024	March 31, 2024
	$	$
Mortgage payable [i]	**2,109,191**	2,094,364
Unsecured loan [ii]	**347,322**	344,188
Total borrowings	**2,456,513**	2,438,552

[i] Mortgage payable

On July 28, 2023, as part of the RTO Transaction (Note 3), the Company assumed a mortgage payable balance (the "Mortgage") for an aggregate principal of $2,000,000, bearing interest at 12% per annum. The Mortgage is secured by the property and assets of the Company's wholly owned subsidiary, IsoCanMed, in Louiseville, Quebec, and is subject to monthly interest-only installments of $17,000, with the principal amount due on January 1, 2024. On closing of the RTO Transaction, the Company determined that the fair value was $2,058,334.

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

The Company incurred cash transaction costs of $30,000 which are being amortized as accretion expense over the term of the Amended Mortgage. The amortization of transaction costs is included in the line-item 'Finance expense (income), net' in the condensed consolidated interim statements of income and comprehensive income. As a result of the Amended Mortgage, the Company recognized a loss on modification of $39,770 during the three and nine months ended December 31, 2023. The loss on modification was recorded in the line-item Finance expense (income), net in the condensed consolidated interim statements of income and comprehensive income.

During the three and six months ended September 30, 2024, the Company incurred $77,731 and $154,341 of interest expense (2023 – $16,667 and $16,667) and made payments totaling $69,757 and $139,514 (2023 – $23,333 and $23,333) comprised of principal and interest.

[ii] Unsecured loan

On July 28, 2023, as part of the RTO Transaction (Note 3), the Company assumed a three-year unsecured loan provided by a vendor, bearing interest at 2% per annum, payable annually. The loan matured on October 31, 2021 and is due on demand.

On closing of the RTO Transaction, the Company determined that the fair value was $340,010, comprised of the principal amount of $313,000 and accrued but unpaid interest of $27,010. During the three and six months ended September 30, 2024, the Company incurred $1,576 and $3,134 of interest expense (2023 – $1,045 and $1,045).

[unaudited] [expressed in Canadian dollars, except share amounts]

12 Convertible debentures

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

	2017 Debentures (i)	Archerwill Debentures (ii)	Total
	$	$	$
Balance as at March 31, 2024	572,000	4,840,883	5,412,883
Interest accretion expense	36,141	884,865	921,006
Repayments	(36,141)	(250,000)	(286,141)
Balance as at September 30, 2024	**572,000**	**5,475,748**	**6,047,748**

(i) 2017 Debentures

On July 28, 2023, as part of the RTO Transaction (Note 3), the Company assumed unsecured convertible debentures with an outstanding balance of $607,000 (the "2017 Debentures"). Each 2017 Debentures unit comprises a principal amount of $1,000 and bears interest at 18% per annum, payable monthly. As of July 28, 2023, the 2017 Debentures are due on demand and are no longer convertible.

The Company determined that the fair value of the 2017 Debentures was $607,000. During the three and six months ended September 30, 2024, the Company incurred $18,169 and $36,141 of interest expense (2023 – $nil and $nil).

(ii) Archerwill Debentures

On July 28, 2023, as part of the RTO Transaction (Note 4), the Company assumed a secured convertible debenture with a principal value of $6,500,000 (the "Archerwill Debenture"). The Archerwill Debenture bears interest at 8% per annum. The Archerwill Debenture are convertible into common shares at a conversion price of $0.57, or payable in cash at maturity, at the option of the lender. Unless converted earlier, the Archerwill Debenture matures on August 8, 2025. The Archerwill Debenture is secured by a first ranking security over all present and after-acquired property.

The Archerwill Debenture also contains a repayment clause where for each $1.00 paid towards principal or accrued interest of notes payable, $0.50 shall be paid towards the ISO Promissory Notes (Note 10), $0.25 shall be paid towards the notes payable to certain related parties (Note 10), and $0.25 shall be paid towards the Archerwill Debenture. Any repayment shall first be credited to any accrued and unpaid interest. In addition, for each repayment made, the Company must issue the number of warrants equal to the repayment amount divided by the conversion price of $0.57.

In conjunction with the Archerwill Debenture, the Company issued 4,333,333 common share purchase warrants (the "Archerwill Debenture Warrants"), exercisable until August 5, 2027 at an exercise price of $0.75. On September 18, 2023, 60% or 2,600,000 of the Archerwill Debenture Warrants were cancelled as the 20 day VWAP of Common Shares following the resumption of trading on the CSE was less than $0.65 per common share.

On closing of the RTO Transaction (Note 3), the Company determined that the fair value of the host debt instrument, the conversion option derivative, and warrant liability was $5,254,366, $4,843,000, and $557,000 respectively. The fair value of the conversion feature and warrants were assessed using a combination of a Monte Carlo analysis and Black-Scholes model. Key assumptions used in both models were a share price of $0.47, estimated volatility of 95% and a risk-free rate of 4.0%. The fair value of the host debt instrument was fair valued based on a discount rate of 22%.

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

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

[unaudited] [expressed in Canadian dollars, except share amounts]

On December 22, 2023, January 31, 2024, and March 13, 2024, the Company repaid an aggregate of $1,000,000 towards the Archerwill Debenture, resulting in the issuance of 1,739,432 warrants (the “Archerwill Prepayment Warrants”). The Archerwill Prepayment Warrants expire on August 5, 2027. The fair value of the Archerwill Prepayment Warrants was assessed using the Black-Scholes model. Key assumptions used in the model were a share price of $0.27 - $0.435, an exercise price of $0.57, estimated volatility of 95%, an expected life of 3.40 – 3.62 years, and a risk-free rate of 3.85%. The fair value of $344,155 was recorded in the line item ‘Finance expense (income), net’ on the condensed consolidated interim statements of income and comprehensive income.

On June 26, 2024, the Company repaid $250,000 towards the Archerwill Debenture, resulting in the issuance of 434,858 warrants (the “Second Archerwill Prepayment Warrants”). The Second Archerwill Prepayment Warrants expire on August 5, 2027. The fair value of the Second Archerwill Prepayment Warrants was assessed using the Black-Scholes model. Key assumptions used in the model were a share price of $0.27, an exercise price of $0.57, estimated volatility of 95%, an expected life of 3.11 years, and a risk-free rate of 3.88%. The fair value of $53,146 was recorded in the line item ‘Finance expense (income), net’ on the condensed consolidated interim statements of income and comprehensive income.

13 Share capital

(a) Authorized

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

(b) Issued and outstanding

	Common shares	
	#	**$**
Balance – March 31, 2024	116,997,561	11,075,877
Balance – September 30, 2024	**116,997,561**	**11,075,877**

(c) Warrants

On July 28, 2023, as a result of the RTO Transaction (Note 3), the Company issued replacement warrants for all warrants issued and outstanding of Canada House at the time of the Tranche Two Closing. The replacement warrants were issued on the same terms, except they were exercisable into common shares of MTL Cannabis Corp., rather than Canada House. Each warrant converts into one common share of the Company on exercise. The fair value of the replacements warrants in MTL Cannabis Corp. was included as a part of the total purchase consideration (Note 3).

The changes in the numbers of warrants outstanding during the six months ended September 30, 2024 were as follows:

	Number of warrants	Weighted average exercise price
	#	**$**
Outstanding as at March 31, 2024	7,717,521	1.06
Granted (Note 12)	434,858	0.57
Outstanding as at September 30, 2024	**8,152,379**	**1.03**

[unaudited] [expressed in Canadian dollars, except share amounts]

The following table is a summary of the Company's warrants outstanding as at September 30, 2024:

Expiration date	Warrants outstanding	Weighted average exercise price
	#	$
August 30, 2025	666,666	1.20
August 30, 2025	333,333	0.66
December 31, 2026	3,244,757	1.50
August 5, 2027	1,733,333	0.75
August 5, 2027	2,174,290	0.57
	8,152,379	**1.03**

(d) Share options

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

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

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

On July 28, 2023, as a result of the RTO Transaction (Note 3), the Company issued replacement share options for all options issued and outstanding of Canada House at the time of the Tranche Two Closing. The replacement share options were issued on the same terms, except they were exercisable into common shares of MTL Cannabis Corp., rather than Canada House. Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The fair value of the replacement options was included as a part of the total purchase consideration (Note 3).

The changes in the number of share options during the period were as follows:

	September 30, 2024		March 31, 2024	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Options outstanding, beginning of period	**854,166**	**1.00**	—	—
Options replaced (Note 3)	—	—	1,765,000	1.26
Options granted	**5,725,000**	**0.28**	—	—
Options forfeited	**(10,833)**	**1.50**	—	—
Options expired	**(3,336)**	**4.80**	(910,834)	1.50
Options outstanding, end of period	**6,564,997**	**0.37**	854,166	1.00
Options exercisable, end of period	**2,282,081**	**0.54**	854,166	1.00

[unaudited] [expressed in Canadian dollars, except share amounts]

During the six months ended September 30, 2024, 25% of the options granted vested immediately. The remaining options granted vest evenly over the next three years on the anniversary date of the grant. The fair value of share options granted during the six months ended September 30, 2024 were estimated at the date of grant using the Black-Scholes option pricing model using the following inputs:

	2024
Grant date share price	C$0.26 - $0.29
Exercise price	C$0.26 - $0.29
Expected dividend yield	$nil
Risk-free interest rate	3.52% - 3.74%
Expected option life	5 years
Expected volatility	95%

The expected volatility was estimated using the volatility of publicly traded companies that the Company considered to be comparable. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the government bonds with a term equal to the expected life of the options.

During the three and six months ended September 30, 2024, the Company recognized $76,952 and $495,370 in share-based compensation expense (2023 – $61,777 and $61,777).

The following table is a summary of the Company's share options outstanding as at September 30, 2024:

Options outstanding			**Options exercisable**	
Exercise price	**Number outstanding**	**Weighted average remaining contractual life [years]**	**Weighted average exercise price**	**Number exercisable**
$	**#**	**#**	**$**	**#**
0.26	2,550,000	4.53	0.26	637,500
0.29	3,175,000	4.70	0.29	793,750
0.63	500,000	3.91	0.63	500,000
1.50	339,997	1.13	1.50	350,831
0.37	**6,564,997**	**4.39**	**0.54**	**2,282,081**

14 Earnings per share

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

	For the three months ended September 30,		**For the six months ended September 30,**	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Net income for the period	**1,245,778**	3,402,612	**3,452,091**	3,215,764
Weighted average number of shares for basic EPS	**116,997,561**	95,436,040	**116,997,561**	70,928,956
Basic and diluted EPS	**$0.011**	$0.036	**$0.030**	$0.045

The Company has three categories of potentially dilutive securities: convertible debentures, warrants and share options. Basic and diluted income per share were the same for the three and six months ended September 30, 2024 and 2023, as the exercise of any potentially dilutive instruments would be anti-dilutive.

[unaudited] [expressed in Canadian dollars, except share amounts]

15 Finance expense (income)

Finance expense (income), net for the three and six months ended September 30, 2024 and 2023 consists of the following:

	For the three months ended September 30,		For the six months ended September 30,	
	2024	**2023**	**2023**	**2023**
	$	**$**	**$**	**$**
Interest on lease obligations (Note 7)	**648,657**	557,748	**1,300,592**	1,051,729
Interest on notes payable (Note 10)	**449,833**	669,302	**1,180,659**	930,585
Interest on borrowings (Note 11)	**79,307**	90,331	**157,475**	123,564
Interest on convertible debentures (Note 12)	**661,226**	156,854	**921,006**	156,854
Warrants issued (Note 12)	**—**	—	**53,146**	—
Fair value gain on financial liabilities (Note 12)	**—**	(2,378,000)	**—**	(2,378,000)
Other finance (income) expense	**(11,718)**	(118,841)	**3,728**	(123,229)
	1,827,305	(1,022,606)	**3,616,606**	(238,497)

16 Nature of expenses

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

	For the three months ended September 30,		For the six months ended September 30,	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Salaries, wages and benefits	**3,078,763**	2,082,709	**6,648,738**	2,984,771
General operating	**1,254,541**	317,114	**2,601,331**	1,100,095
Occupancy expense (recovery)	**95,091**	(108,321)	**133,296**	(203,734)
Professional fees	**1,332,900**	958,272	**2,129,216**	1,820,413
	5,761,295	3,249,774	**11,512,581**	5,701,545

17 Segmented information

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

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

[unaudited] [expressed in Canadian dollars, except share amounts]

The following table presents details on the Company's segments for the three months ended September 30, 2024:

	Licensed producer	CHC	Corporate	Consolidated
	$	$	$	$
Revenue				
Product revenue	25,031,112	68,014	—	25,099,126
Referral revenue and other	846	1,334,530	—	1,335,376
Less: excise tax	(5,564,604)	—	—	(5,564,604)
Net revenue	19,467,354	1,402,544	—	20,869,898
Cost of sales	9,552,333	—	—	9,552,333
Gross profit before fair value adjustments	9,915,021	1,402,544	—	11,317,565
Fair value adjustments on biological assets	2,393,627	—	—	2,393,627
Fair value adjustments on sale of inventory	(1,925,800)	—	—	(1,925,800)
Gross profit	**10,382,848**	**1,402,544**	**—**	**11,785,392**
Expenses	4,345,909	1,154,964	2,194,588	7,695,461
Operating income (loss)	**6,036,939**	**247,580**	**(2,194,588)**	**4,089,931**
Finance expense, net	824,352	34,930	968,023	1,827,305
Other income	(5,930)	(23,243)	—	(29,173)
Income (loss) before income taxes	**5,218,517**	**235,893**	**(3,162,611)**	**2,291,799**
Income tax (recovery) expense	979,967	176,784	(110,730)	1,046,021
Net income (loss) and comprehensive income (loss) for the period	**4,238,550**	**59,109**	**(3,051,881)**	**1,245,778**

[unaudited] [expressed in Canadian dollars, except share amounts]

The following table presents details on the Company's segments for the six months ended September 30, 2024:

	Licensed producer	CHC	Corporate	Consolidated
	$	$	$	$
Revenue				
Product revenue	49,480,635	124,499	—	49,605,134
Referral revenue and other	2,038	2,669,594	—	2,671,632
Less: excise tax	(10,685,636)	—	—	(10,685,636)
Net revenue	38,797,037	2,794,093	—	41,591,130
Cost of sales	19,080,977	—	—	19,080,977
Gross profit before fair value adjustments	19,716,060	2,794,093	—	22,510,153
Fair value adjustments on biological assets	4,774,327	—	—	4,774,327
Fair value adjustments on sale of inventory	(2,395,159)	—	—	(2,395,159)
Gross profit	**22,095,228**	**2,794,093**	**—**	**24,889,321**
Expenses	10,194,795	2,362,449	3,278,177	15,835,421
Operating income (loss)	**11,900,433**	**431,644**	**(3,278,177)**	**9,053,900**
Finance expense (income), net	1,641,507	73,024	1,902,075	3,616,606
Other income	(79,022)	(44,074)	—	(123,096)
Income (loss) before income taxes	**10,337,948**	**402,694**	**(5,180,252)**	**5,560,390**
Income tax expense	1,823,007	302,652	(17,360)	2,108,299
Net income (loss) and comprehensive income (loss) for the period	**8,514,941**	**100,042**	**(5,162,892)**	**3,452,091**

Non-current assets as at September 30, 2024 and March 31, 2024 were as follows:

	Licensed producer	CHC	Total
	$	$	$
September 30, 2024			
Right-of-use assets, net	11,789,749	734,096	12,523,845
Property, plant and equipment, net	17,421,074	1,109,644	18,530,718
Intangible assets, net	13,736,717	6,851,666	20,588,383
	42,947,540	**8,695,406**	**51,642,946**
March 31, 2024			
Right-of-use assets, net	10,487,659	785,245	11,272,904
Property, plant and equipment, net	16,324,879	1,128,230	17,453,109
Intangible assets, net	15,231,717	7,329,666	22,561,383
	42,044,255	**9,243,141**	**51,287,396**

18 Commitments

Financial Guarantee

In May 2022, the Company provided a financial guarantee in relation to a mortgage entered into by 9336-4644 Quebec Inc. (the "Lessor"), a company under common control. The Lessor owns the real estate of 4225 Transcanadienne Highway and 815 Tecumseh Ave and leases the premises to the Company for the purposes of conducting their business operations.

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

As at September 30, 2024, the total amount outstanding and payable by the Lessor under the mortgage was $8,150,000 (March 31, 2024 – $8,150,000). The Company has recognized $nil relating to this guarantee.

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

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

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

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

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

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

[unaudited] [expressed in Canadian dollars, except share amounts]

19 Related party transactions

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

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

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

Compensation expense which consists of salaries and benefits for the Company's key management personnel for the 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.

20 Capital Management

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

Total managed capital is as follows:

	September 30, 2024	March 31, 2024
	$	$
Notes payable	**14,279,547**	15,004,518
Borrowings	**2,456,513**	2,438,552
Convertible debentures	**6,047,748**	5,412,883
Share capital	**11,075,877**	11,075,877
	33,859,685	33,931,830

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