



CordovaCann Corp.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended March 31, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

INDEX

	Page
Notice to Reader Issued by Management	2
Condensed Interim Consolidated Statements of Financial Position	3
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	4
Condensed Interim Consolidated Statements of Changes in Equity	5
Condensed Interim Consolidated Statements of Cash Flows	6
Notes to the Condensed Interim Consolidated Financial Statements	7-31

CordovaCann Corp.

Notice to Reader Issued by Management

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice to this effect.

The accompanying unaudited condensed interim consolidated financial statements have been prepared and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of the unaudited condensed interim consolidated financial statements.

May 30, 2023

CordovaCann Corp.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2023 and June 30, 2022

(Unaudited – Expressed in Canadian Dollars)

As at	March 31, 2023	June 30, 2022
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	202,098	714,826
Restricted cash (Note 6)	345,541	1,033,650
Harmonized sales tax receivable	-	42,650
Accounts receivable	90,764	81,303
Prepaid expenses and deposits	381,480	385,366
Loan receivable (Note 7)	270,660	128,860
Inventory (Note 8)	916,132	723,953
Other deposit (Note 9)	54,132	100,220
Total current assets	2,260,807	3,210,828
Property and equipment, net (Note 10)	3,994,937	3,439,705
Right-of-use assets (Note 11)	3,961,849	4,451,385
Intangible assets (Note 12)	5,243,967	5,243,967
Licenses (Note 13)	281,643	405,080
Total assets	15,743,203	16,750,965
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,127,450	3,557,172
Mortgage payable (Note 14)	-	824,852
Income taxes payable	126,629	316,017
Contract liability (Note 15)	53,320	50,771
Harmonized sales tax payable	6,558	-
Lease liability (Note 16)	686,125	601,732
Promissory notes payable (Note 17)	1,569,832	345,442
Total current liabilities	6,569,914	5,695,986
Deferred tax liability	10,080	21,420
Mortgage payable (Note 14)	970,993	-
Contract liability (Note 15)	101,965	134,925
Lease liability (Note 16)	3,890,496	4,312,247
Total liabilities	11,543,448	10,164,578
SHAREHOLDERS' EQUITY		
Share capital (Note 18)	30,475,107	30,475,107
Contributed surplus	8,036,990	8,036,990
Equity portion of convertible debentures	790,559	689,645
Accumulated deficit	(35,932,959)	(33,410,321)
Accumulated other comprehensive income	82,649	70,073
Total shareholders' equity attributable to Cordova shareholders	3,452,346	5,861,494
Non-controlling interest	747,409	724,893
Total equity	4,199,755	6,586,387
Total liabilities and shareholders' equity	15,743,203	16,750,965

Nature of operations and going concern (Note 1)

Commitments (Note 22)

Related party transactions (Note 23)

Approved on behalf of the Board:

 "Dale Rasmussen", Director
 (signed)

 "Thomas M. Turner, Jr.", Director
 (signed)

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

CordovaCann Corp.

Consolidated Statements of Operations and Comprehensive Loss For the Three and Nine Months Ended March 31, 2023 and 2022 (Unaudited – Expressed in Canadian Dollars)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022
	\$	\$	\$	\$
Revenue	3,210,982	3,322,500	10,343,094	10,584,196
Cost of sales	(2,283,121)	(2,326,919)	(7,404,315)	(7,571,379)
Gross profit	927,861	995,581	2,938,779	3,012,817
Expenses				
Salaries and wages	557,119	709,514	1,857,517	1,703,056
Consulting fees	227,708	265,906	781,812	655,818
Office and general	285,838	245,531	792,182	753,276
Leases and utilities	58,225	125,021	269,795	466,457
Shareholders information services	49,700	67,237	159,911	175,976
Professional fees	8,665	36,701	46,519	86,343
Share based compensation (Note 20, 21)	-	-	-	1,920
Amortization of right-of-use assets (Note 11)	195,196	199,737	583,892	582,689
Depreciation (Note 10)	53,316	111,336	172,370	257,409
Amortization of licenses (Note 13)	41,146	55,145	123,437	165,435
	1,476,913	1,816,128	4,787,435	4,848,379
Loss before other income (expense)	(549,052)	(820,547)	(1,848,656)	(1,835,562)
Interest expenses (Note 14, 17, 19)	(124,881)	(131,823)	(487,402)	(205,847)
Interest on lease liability (Note 16)	(123,558)	(137,135)	(378,073)	(397,581)
Accretion expense (Note 17)	(14,578)	(19,958)	(28,817)	(55,740)
Foreign exchange gain (loss)	(351)	24,632	120,804	99,170
Other income	46,112	33,571	136,902	108,721
Loss before income tax recovery (expense)	(766,308)	(1,051,260)	(2,485,242)	(2,286,839)
Current	(20,500)	27,798	(26,220)	(22,382)
Deferred	3,780	-	11,340	-
Net loss	(783,028)	(1,023,462)	(2,500,122)	(2,309,221)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of outstanding common shares - basic and diluted	109,502,853	102,341,520	109,502,853	98,207,054
Net loss	(783,028)	(1,023,462)	(2,500,122)	(2,309,221)
Foreign exchange translation adjustment	72,959	(103,227)	12,576	(65,835)
Comprehensive loss	(710,069)	(1,126,689)	(2,487,546)	(2,375,056)
Net income (loss) attributable to:				
CordovaCann Corp.	(780,522)	(990,987)	(2,522,638)	(2,342,320)
Non-controlling interests	(2,506)	(32,475)	22,516	33,099
Comprehensive income (loss) attributable to:				
CordovaCann Corp.	(707,563)	(1,094,214)	(2,510,062)	(2,408,155)
Non-controlling interests	(2,506)	(32,475)	22,516	33,099

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

CordovaCann Corp.

Condensed Interim Consolidated Statements of Changes in Equity

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Portion of Convertible Debentures	Shares to be Issued	Share Subscriptions Received in Advance	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-controlling interests	Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, June 30, 2021	93,151,074	26,145,146	7,844,814	306,877	923,590	647,296	(29,453,390)	77,875	826,165	7,318,373
Common shares issued for private placement	3,379,379	1,013,814	-	-	-	(647,296)	-	-	-	366,518
Exercise of options	200,000	75,959	(25,959)	-	-	-	-	-	-	50,000
Issuance of warrants	-	-	1,920	-	-	-	-	-	-	1,920
Interest on convertible debentures	-	-	-	41,988	-	-	-	-	-	41,988
Dividend paid to NCI	-	-	-	-	-	-	-	-	(34,737)	(34,737)
Shares issued as part of contingent consideration	5,354,400	923,590	-	-	(923,590)	-	-	-	-	-
Exercise of warrants	700,000	334,788	(124,788)	-	-	-	-	-	-	210,000
Share subscriptions received in advance	-	-	-	-	-	424,864	-	-	-	424,864
Foreign currency translation adjustment	-	-	-	-	-	-	-	(65,835)	-	(65,835)
Net loss for the period	-	-	-	-	-	-	(2,342,320)	-	33,099	(2,309,221)
Balance, March 31, 2022	102,784,853	28,493,297	7,695,987	348,865	-	424,864	(31,795,710)	12,040	824,527	6,003,870
Balance, June 30, 2022	109,502,853	30,475,107	8,036,990	689,645	-	-	(33,410,321)	70,073	724,893	6,586,387
Interest on convertible debentures	-	-	-	100,914	-	-	-	-	-	100,914
Foreign currency translation adjustment	-	-	-	-	-	-	-	12,576	-	12,576
Net loss for the period	-	-	-	-	-	-	(2,522,638)	-	22,516	(2,500,122)
Balance, March 31, 2023	109,502,853	30,475,107	8,036,990	790,559	-	-	(35,932,959)	82,649	747,409	4,199,755

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

CordovaCann Corp.

Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

	2023	2022
	\$	\$
Operating activities		
Net loss for the period	(2,500,122)	(2,309,221)
Adjusted for non-cash items:		
Income taxes	26,220	22,382
Share based compensation	-	1,920
Amortization of right-of-use assets	583,892	582,689
Amortization of licenses	123,437	165,435
Depreciation	172,370	257,409
Interest expense	487,402	205,847
Interest on lease liability	378,073	397,581
Deferred tax recovery	(11,340)	-
Accretion expense	28,817	55,740
Foreign exchange gain	(120,804)	-
Changes in non-cash working capital items:		
Prepaid expenses and deposits	3,886	(9,238)
Accounts receivable	(9,461)	(82,726)
Inventory	(192,179)	(241,376)
Income taxes payable	(189,388)	(48,866)
Harmonized sales tax receivable	42,650	(94,048)
Accounts payable and accrued liabilities	570,278	145,983
Cash used in operating activities	(606,269)	(950,489)
Investing activities		
Additions to property and equipment	(645,012)	(362,083)
Proceeds from disposal of property and equipment	-	2,726,680
Advances to loan receivable	(141,800)	-
Payment towards subsidiary NCI shares	-	(39,292)
Cash provided by (used in) investing activities	(786,812)	2,325,305
Financing activities		
Repayment of promissory notes	(135,440)	(632,707)
Proceeds from issuance of promissory notes	1,151,240	757,290
Repayment of mortgage payable	-	(755,789)
Payment of lease liabilities	(820,740)	(708,501)
Proceeds from other deposit	54,400	103,336
Proceeds from share subscriptions received in advance	-	424,864
Proceeds from the exercise of warrants	-	210,000
Payment of dividends to non-controlling interest shareholders	-	(34,737)
Cash provided by (used in) financing activities	249,460	(636,244)
Effect of exchange rate changes on cash	(57,216)	122,618
Net increase (decrease) in cash and cash equivalents	(1,200,837)	861,190
Cash and cash equivalents, beginning of period	1,748,476	1,058,494
Cash and cash equivalents, end of period	547,639	1,919,684
Cash and cash equivalents consist of:		
Cash	202,098	917,317
Restricted cash	345,541	1,002,367

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

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

CordovaCann Corp. (the “Company” or “CordovaCann” or “Cordova”) is headquartered in Toronto, Canada and specializes in identifying, funding, developing and managing operations throughout the cannabis value chain. The Company takes a holistic approach to working with its partners throughout North America to build a network of cannabis operations on its multi-jurisdictional platform. CordovaCann owns operations in the United States in Oregon and Washington and has built a chain of cannabis retail stores in Canada with locations in Ontario, Manitoba, Alberta and British Columbia. The Company’s principal address is 217 Queen Street West, Suite 401, Toronto, Ontario, M5V 0R2.

The Company’s common shares currently trade on the Canadian Securities Exchange under the symbol “CDVA” and in the United States on the OTCQB under the symbol “LVRLF”.

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as promulgated by the International Accounting Standards Board (“IASB”) on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. There is substantial doubt about the Company's ability to continue as a going concern as the Company incurred a comprehensive loss of \$710,069 and \$2,487,546, respectively, (March 31, 2022 – \$1,126,689 and \$2,375,056, respectively) during the three and nine months ended March 31, 2023 and has a total accumulated deficit of \$35,932,959 (June 30, 2022 – \$33,410,321) as at March 31, 2023. The Company’s ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations and it raises a material concern. To this point, all operational activities and overhead costs have been funded through equity issuances, debt issuances and related party advances.

The Company believes that continued funding from equity and debt issuances will provide sufficient cash flow for it to continue as a going concern in its present form until its operations become profitable and cash flow positive, however, there can be no assurances that the Company will achieve this. These condensed interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Company’s condensed interim consolidated financial statements have been prepared in conformity with *IAS 34 – Interim Financial Reporting* and do not include all the information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2022. These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Company on May 30, 2023.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

(b) Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except biological assets which were measured at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries are detailed in Note 2(e) below.

Translation of foreign-currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of each subsidiary at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Translation of financial statements of subsidiaries

In translating the financial statements of the Company's foreign subsidiaries from their functional currencies into the Company's presentation currency of Canadian dollars, statement of financial position accounts are translated using the closing exchange rate in effect at the statement of financial position date and income and expense accounts are translated using an average exchange rate prevailing during the reporting period. Adjustments resulting from the translation, if any, are included in accumulated other comprehensive income (loss) in shareholders' equity (deficiency).

(d) Use of Estimates and Judgements

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The key assumptions concerning the future, and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year arise in connection with the valuation of financial instruments, valuation of acquired assets, fair value of share purchase warrants, share-based payments and deferred tax assets.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

(e) Basis of Consolidation

These condensed interim consolidated financial statements include those of the Company and its subsidiaries, which are the entities controlled by the Company. Control over an investee is achieved when the Company has power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

The following table lists the Company's subsidiaries and their functional currencies:

Name of Subsidiaries	Place of Incorporation	Ownership Interest	Currency
CordovaCann Holdings Canada, Inc.	Ontario, Canada	100%	Canadian Dollars
Cordova Investments Canada, Inc.	Ontario, Canada	100%	Canadian Dollars
2734158 Ontario Inc.	Ontario, Canada	60.45%	Canadian Dollars
10062771 Manitoba Ltd.	Manitoba, Canada	51.00%	Canadian Dollars
CordovaCann Holdings, Inc.	Delaware, USA	100%	Canadian Dollars
Cordova CO Holdings, LLC	Colorado, USA	100%	United States Dollars
Cordova OR Holdings, LLC	Oregon, USA	100%	United States Dollars
CDVA Enterprises, LLC	California, USA	100%	United States Dollars
Cordova CA Holdings, LLC	California, USA	100%	United States Dollars
Cordova OR Operations, LLC	Oregon, USA	100%	United States Dollars
Cannabilt Farms, LLC	Oregon, USA	100%	United States Dollars
Cannabilt OR Retail, LLC	Oregon, USA	100%	United States Dollars
Cannabilt Holdings, Inc.	Oregon, USA	100%	United States Dollars
Future Processing, LLC	Oregon, USA	100%	United States Dollars
Extraction Technologies, LLC	Washington, USA	100%	United States Dollars
Cordova WA Holdings, LLC	Washington, USA	100%	United States Dollars
Cordova MA Holdings, Inc.	Massachusetts, USA	100%	United States Dollars

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are synonymous with the significant accounting policies of the Company's annual audited financial statements for the year ended June 30, 2022.

New Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

Amendments to IFRS 9: Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company adopted the Amendments to IFRS 9 effective July 1, 2022 which did not have a material impact to the Company's condensed interim consolidated financial statements.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

Amendments to IAS 41: Agriculture

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IAS 41. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's condensed interim consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Information about critical judgments in applying accounting policies and estimates that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements is included in the following:

Determination of control

The control principle in IFRS 10 sets out the three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of those returns. Judgement is required in assessing these three elements and reaching a conclusion on obtaining of control of a business.

Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of these condensed interim consolidated financial statements.

Impairment of long-lived assets

Assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. If an impairment assessment is required, the assessment of fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Useful lives of depreciable assets

The Company estimates the useful lives for an item of depreciable assets to its significant parts and depreciates separately each such part. Management reviews the useful lives of depreciable assets and their significant parts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to a variety of factors including technical obsolescence.

Valuation of biological assets and inventory

Management is required to make a number of estimates in calculating the fair value of biological assets. These estimates include a number of assumptions including estimations of the stage of growth, pre-harvest and post-harvest costs, sales price and expected yields. Inventories of harvested finished goods and packaging materials are valued at the lower of cost or net realizable value. Management determines net realizable value, which is the estimated selling price less the estimated costs to completion, and the estimated selling costs. The Company estimates the net realizable value of inventories by using the most reliable evidence available at each reporting date. The future realization of these inventories may be different from estimated realization. A change to these assumptions could impact the Company's inventory valuation and gross profit from sales of inventories.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with goods and services received by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

Provisions and contingencies

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Determination of purchase price allocations and contingent consideration

Judgements are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods, if any. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through the statement of operations and comprehensive loss.

Leases

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension operation, or not to exercise a termination option. Where the rate implicit in a lease is not readily determinable, the discount rate of lease obligations are estimated using a discount rate that estimates the Company's specific incremental borrowing rate. The incremental borrowing rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security, in a similar economic environment.

Valuation of convertible debentures

Judgement is made on the initial recognition of convertible debentures and the appropriate allocation into their equity and/or liability components at the date of issuance, in accordance with the substance of the contractual agreements. The conversion options require an estimation of the fair value of a similar liability that doesn't have an associated equity component by using a suitable discount rate at initial recognition and each extension date. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. A convertible debenture for which the Company is able to avoid a contractual obligation to pay cash is classified as an equity instrument.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

5. ACQUISITIONS

During the nine months ended March 31, 2023, the Company did not complete any business combinations or asset acquisitions.

During the year ended June 30, 2022, the Company did not complete any business combinations or asset acquisitions.

During the years ended June 30, 2021 and 2020, the Company completed the following business combinations and asset acquisitions:

a) *Acquisition of Extraction Technologies, LLC*

On February 26, 2021, the Company, through its wholly-owned subsidiary, Cordova WA Holdings, LLC, completed the acquisition of Extraction Technologies, LLC (“Extraction Tech”), an arm’s length Washington-based company (the “Washington Acquisition”). The Washington Acquisition includes the purchase of a 10,900 sq. ft. manufacturing building, processing equipment, and contracts with tolling and white label customers. The consideration for the Washington Acquisition is three million (3,000,000) common shares of the Company issued on closing and five hundred thousand (500,000) common shares for every US \$125,000 in EBITDA generated by Extraction Tech during the 12-month period beginning on the 3-month anniversary post-closing and ending on the 15-month anniversary of the closing date (the “Earnout Payment”). The maximum Earnout Payment that could be paid for the acquisition of Extraction Tech was four million (4,000,000) common shares.

The Earnout Payment was considered a contingent consideration. At the end of the 15 month period, the conditions for the Earnout Payment were not met and accordingly, the contingent consideration amount was not recognized.

The following table summarizes the fair value of consideration paid on acquisition date and the allocation of the consideration to the assets and liabilities acquired.

	\$
Consideration paid	
3,000,000 Common shares	953,250
Earnout share consideration	-
Total consideration:	953,250
Purchase Price Allocation	
Accounts receivable	2,258
Inventory	5,178
Bank overdraft	(2,266)
Capital assets	1,777,385
Mortgage payable	(829,305)
	953,250

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

5. ACQUISITIONS (continued)

b) Acquisition of 10062771 Manitoba Ltd.

On December 1, 2020, the Company acquired 51% of the issued and outstanding shares of 10062771 Manitoba Ltd. (“Manitoba Ltd”), a Manitoba-based cannabis retail venture (the “Transaction”). Manitoba Ltd is considered to be a related party by virtue of a common officer and director. Per the terms of the Transaction, the Company acquired 51% of the issued and outstanding shares of Manitoba Ltd on a fully-diluted basis (the “Purchased Shares”). The consideration for the Purchased Shares was one hundred fifty thousand dollars (\$150,000) payable in cash on closing of the Transaction (the “Consideration”). In addition, Cordova agreed to loan up to one hundred fifty thousand dollars (\$150,000) to Manitoba Ltd to enable the opening of the second store in Manitoba. On December 1, 2020, the total Subscription Price of \$150,000 was fully paid to Manitoba Ltd.

The following table summarises the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$
Cash	29,795
Prepaid expense	4,595
Inventory	72,265
Furnitures and fixtures	12,251
Leasehold improvements	3,889
Right-of-use assets	101,333
Lease liabilities	(101,333)
Other liabilities assumed	(101,317)
Total identifiable net assets acquired	21,478

The fair value of non-controlling interest at the acquisition date was calculated as follows:

	\$
Cash consideration transferred	150,000
Ownership acquired	51%
Fair value of Manitoba Ltd	294,118
Fair value attributable to the controlling interests of Manitoba Ltd	(150,000)
Non-controlling interest	144,118

The Company recognized the intangible assets – licenses at the acquisition date and calculated their fair value as follows:

	\$
Cash consideration	150,000
Consideration received by Manitoba Ltd.	(150,000)
Non-controlling interests	144,118
Deferred tax liability	45,359
Fair value of identifiable assets	(21,478)
Fair value of licenses	167,999

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

5. ACQUISITIONS (continued)

c) Acquisition of 2734158 Ontario Inc.

On May 15, 2020, the Company entered into a subscription agreement to acquire 50.1% ownership interest in 2734158 Ontario Inc. ("273 Ontario") by subscribing to 501,000 common shares of 273 Ontario for a total consideration of \$723,000 (the "Acquisition"). Pursuant to the subscription agreement, the subscription price (the "Subscription Price") was paid as follows:

- payment of \$200,000 on May 15, 2020 for the issuance of 138,589 common shares;
- payment of \$200,000 on June 15, 2020 for the issuance of 138,589 common shares;
- payment of \$200,000 on July 15, 2020 for the issuance of 138,589 common shares; and
- payment of \$123,000 on August 15, 2020 for the issuance of 85,233 common shares.

The following table summarises the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

Cash	48,850
Other assets	59,040
Computer equipment	16,337
Furniture and fixture	27,222
Leasehold improvement	46,081
Liabilities assumed	(20,328)
Total identifiable net assets acquired	177,202

On August 15, 2020, the total Subscription Price of \$723,000 was fully paid to 273 Ontario.

The non-controlling interest is calculated as follow.

Consideration	723,000
Ownership acquired	50.1%
Fair value of assets acquired	1,443,114
Consideration	(723,000)
Non-controlling interest	720,114

Licenses allocated from the acquisition has been recognized as follows.

Consideration transferred	723,000
Consideration received by 273 Ontario	(723,000)
Non-controlling interest	720,114
Fair value of identifiable net assets	(177,202)
Fair value of licences	542,912

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

5. ACQUISITIONS (continued)

c) Acquisition of 2734158 Ontario Inc. (continued)

On September 17, 2020, the Company acquired an additional 10.35% of the common shares of 273 Ontario not previously owned by Cordova (the “Additional Shares”). The total purchase price for the Additional Shares amounted to \$305,267, of which \$72,539 was paid on closing, and the remaining amounts to be paid as follows:

- payment of \$157,167 paid on the earlier of retail license approval of Cordova by the Alcohol and Gaming Commission of Ontario or January 15, 2021 (the “License Payment”);
- payment of \$36,269 on the date three months after the License Payment; and
- payment of \$39,292 on the date nine months after the License Payment

As Cordova previously controlled 273 Ontario with 50.1% ownership interest, this transaction resulted in a change to Cordova’s ownership stake and was accounted for as an equity transaction.

The \$139,095 difference between the carrying value \$166,172 for the non-controlling interests and the \$305,267 consideration paid was recognized directly in deficit.

During the year ended June 30, 2021, the Company paid \$72,539 on closing and the License Payment for total payments in the amount of \$265,975. During the year ended June 30, 2022, the Company paid the remaining \$39,292 outstanding. The total amount outstanding by the Company for the payment of the Additional Shares as at June 30, 2022 was \$nil (2021 - \$39,292).

During the year ended June 30, 2021, 273 Ontario paid dividends in the amount of \$450,000. Of the \$450,000 dividends paid, \$177,975 were paid to the non-controlling interest shareholders of 273 Ontario.

During the year ended June 30, 2022, 273 Ontario paid dividends in the amount of \$87,831. Of the \$87,831 paid, \$34,737 was paid to the non-controlling interest shareholders of 273 Ontario.

There were no dividends paid during the three and nine months ended March 31, 2023.

6. RESTRICTED CASH

Restricted cash relates to an amount held in an escrow account by the buyer of the Oregon Property (the “Escrow Account”). The amount held in the Escrow Account is non-interest bearing and restricted for the completion of the buildout of the Oregon Property (*Note 10*). As at and during the nine months ended March 31, 2023, withdrawals from the Escrow Account amounted to \$740,482 (US \$547,168) which were related to the completion of the buildout of the Oregon Property. The balance as at March 31, 2023 amounted to \$345,541 (US \$255,332) (June 30, 2022 – \$1,033,650 (US \$802,500)).

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

7. LOAN RECEIVABLE

On June 27, 2022, the Company acquired the rights to purchase the assets (the “AuBio Assets”) of AuBio Labs, LLC (the “AuBio Transaction”). The consideration for the AuBio Transaction is \$902,020 (US \$700,000), of which, \$128,860 (US \$100,000) was provided on the closing date of the AuBio Transaction, with the remaining \$773,160 (US \$600,000) to be advanced in tranches (the “AuBio Advances”). Upon advancing the final amount, the Company will have the option to convert the AuBio Advances into full ownership of the AuBio Assets.

As at June 30, 2022, the Company had advanced \$128,860 (US \$100,000). As at March 31, 2023, the Company advanced an additional \$100,000 towards the AuBio Advances.

Due to the short-term duration of the advance and the Company’s option of completing the AuBio Transaction, this has been reflected as a loan receivable amount.

As at March 31, 2023, the loan receivable amounted to \$270,660 (US \$200,000) (June 30, 2022 – \$128,860 (US \$100,000)).

The Company and the vendor have agreed to extend the period over which the remainder of the consideration may be advanced subsequent to May 31, 2023.

8. INVENTORY

The Company’s inventory includes purchased products. The Company’s cost of inventory during the three and nine months ended March 31, 2023 amounted to \$2,283,121 and \$7,404,315, respectively, (March 31, 2022 – \$2,326,919 and \$7,571,379, respectively). The Company’s inventory as at March 31, 2023 amounted to \$916,132 (June 30, 2022 – \$723,953).

9. OTHER DEPOSIT

On November 7, 2019, the Company advanced CDN \$408,840 (US \$300,000) to a non-arm’s length party in exchange for Promissory Note C (the “Joint Forces Deposit”).

On October 12, 2020, the Company entered into a settlement agreement (the “Settlement”), settling the outstanding Joint Forces Deposit for a payment term over 2 years for a total of US \$338,000. The proceeds of the Settlement will be received by the beneficiaries of Promissory Note C. As a result, a gain on Settlement was recorded in the amount of \$51,023 (US \$38,000) during the year ended June 30, 2020.

Accordingly, the Joint Forces Deposit was determined to be a financial instrument and recorded at amortized cost. The initial carrying amount of the financial asset was determined by discounting the stream of future payments of interest and principal at a market interest rate of 8% which is estimated to be the lending rate available to the Company for similar instruments. The balance of the Joint Forces Deposit amounted to \$54,132 as at March 31, 2023 (June 30, 2022 – \$100,220).

Interest income in relation to the Joint Forces Deposit amounted to \$nil and \$1,940, respectively, during the three and nine months ended March 31, 2023 (March 31, 2022 – \$4,054 and \$15,047, respectively).

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

10. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	Land	Building	Leasehold improvements	Machinery and equipment	Computer equipment	Furniture and fixtures	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
As at June 30, 2021	806,750	2,062,251	2,820,066	318,457	115,595	315,613	6,438,734
Additions	-	24,311	505,062	-	36,384	95,879	661,636
Disposals	(403,524)	(1,019,086)	(1,162,803)	-	-	-	(2,585,413)
Translation adjustment	-	(21,743)	-	-	-	-	(21,743)
Impairment charge	-	-	(211,774)	-	-	-	(211,774)
As at June 30, 2022	403,226	1,045,734	1,950,551	318,457	151,979	411,492	4,281,440
Additions (disposals)	-	-	645,012	-	-	-	645,012
Translation adjustment	17,100	65,490	-	-	-	-	82,590
Impairment charge	-	-	-	-	-	-	-
As at March 31, 2023	420,326	1,111,225	2,595,563	318,457	151,979	411,492	5,009,042
Accumulated depreciation							
As at June 30, 2021	-	(44,814)	(251,826)	(21,630)	(32,419)	(28,423)	(379,112)
Depreciation	-	(22,475)	(230,161)	(11,457)	(36,176)	(44,919)	(345,188)
Disposals	-	-	(22,570)	(34,047)	(10,764)	(50,054)	(117,435)
Translation adjustment	-	-	-	-	-	-	-
As at June 30, 2022	-	(67,289)	(504,557)	(67,134)	(79,359)	(123,396)	(841,735)
Depreciation	-	(11,223)	(114,931)	(5,721)	(18,065)	(22,430)	(172,370)
As at March 31, 2023	-	(78,512)	(619,488)	(72,855)	(97,424)	(145,826)	(1,014,105)
Net book value (\$)							
At at June 30, 2022	403,226	978,445	1,445,994	251,323	72,620	288,096	3,439,705
As at March 31, 2023	420,326	1,032,713	1,976,075	245,602	54,555	265,666	3,994,937

During the three and nine months ended March 31, 2023, the Company incurred a depreciation expense in the amount of \$53,316 and \$172,370, respectively (March 31, 2022 – \$111,336 and \$257,409, respectively).

Oregon – Sale leaseback transaction

On August 4, 2021, the Company, through its wholly-owned subsidiary, Cordova OR Operations, LLC, sold all of its land, building, and construction-in-progress (the “Oregon Property”) for \$2,726,680 (US \$2,200,000) and entered into an agreement to lease the Oregon Property from the buyer (the “Lease”). The Lease will allow the Company to operate on the Oregon Property for ten years, and provides options for two subsequent ten-year renewal periods. Proceeds from the sale were used to retire debts related to the Oregon Property and to finance the planned expansion in Oregon. Additions to leasehold improvements during the nine months ended March 31, 2023 in relation to the Oregon Property amounted to \$645,012. These leasehold improvements will be depreciated when the buildout is complete, and the Oregon Property is in use.

The Lease was signed on July 20, 2021 and commenced on August 1, 2021. Certain amounts have been placed in escrow by the buyer to allow the completion of the buildout and classified as restricted cash, as disclosed in Note 6. There is no rent payable during the first three months of the Lease and subsequent payments amount to \$27,267 (US \$22,000) per month for the remainder of the first year, with annual payment escalators thereafter.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

11. RIGHT-OF-USE ASSETS

	\$
Balance, June 30, 2021	3,169,655
Additions during the year	2,227,188
Depreciation for the year	(782,847)
Impairment	(183,693)
Foreign exchange translation	21,082
Balance, June 30, 2022	4,451,385
Additions during the period	-
Depreciation for the period	(583,892)
Foreign exchange translation	94,356
Balance, March 31, 2023	3,961,849

Leased properties are amortized over the terms of their respective leases. Included in additions during the year ended June 30, 2022 is the addition of the lease on the Oregon Property in connection with a sale-leaseback transaction, as further described in Note 10.

12. INTANGIBLE ASSETS

The Company's intangible assets relates to the brand name acquired from Star Buds International Inc. As this intangible asset was determined to be an indefinite life intangible asset, no amortization has been recorded.

No impairment was recorded in relation to the intangible asset – Star Buds trade name during the three and nine months ended March 31, 2023 and 2022.

13. LICENSES

	\$
Cost	
As at June 30, 2021	710,911
Additions (disposals)	-
As at June 30, 2022	710,911
Additions (disposals)	-
As at March 31, 2023	710,911
Accumulated amortization	
As at June 30, 2021	(141,249)
Amortization	(164,582)
As at June 30, 2022	(305,831)
Amortization	(123,437)
As at March 31, 2023	(429,268)
Net book value (\$)	
As at June 30, 2022	405,080
As at March 31, 2023	281,643

During the three and nine months ended March 31, 2023, amortization expense in relation to these licenses amounted to \$41,146 and \$123,437, respectively, (March 31, 2022 – \$55,145 and \$165,435, respectively).

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

14. MORTGAGE PAYABLE

Oregon Mortgage

On June 16, 2019, the Company obtained financing through a mortgage (the “Oregon Mortgage A”) in the amount of \$696,117 (US \$531,915) against a property that has title to 6 acres of real estate in Clackamas County, Oregon (the “Property”). The Oregon Mortgage A was due in six months from the date of the agreement at an initial draw of \$654,350 (US \$500,000), implying interest at a rate of 12.77% per annum. The Oregon Mortgage A after the date of default bears interest at 12% per annum, payable monthly, until the repayment of the outstanding amount. The Oregon Mortgage A was secured by a first charge on the Property.

On June 12, 2020, the Company entered into a new mortgage (the “Oregon Mortgage B”), in the amount of \$815,760 (US \$600,000), and paid off the existing Oregon Mortgage A and accrued interest of \$724,894 (US \$531,914). The Oregon Mortgage B was interest-bearing 12%, secured by a first charge on the Property and matured on December 15, 2020. Transaction costs of \$52,045 was deducted from the initial carrying value of the liability and was recognized into profit and loss over the term of the Oregon Mortgage B.

On August 4, 2021, the Oregon Mortgage B was fully paid off upon the sale of the Property (Note 10).

Oregon Mortgage B amounted to \$nil as at March 31, 2023 and June 30, 2022. Total interest expense in relation to the Oregon Mortgage B for the three and nine months ended March 31, 2023 amounted to \$nil (March 31, 2022 – \$nil and \$7,517, respectively).

Washington Mortgage

On February 26, 2021, the Company completed the Washington Acquisition (Note 5(a)) and assumed a mortgage payable in the amount of \$829,305 (US \$653,768) (the “Washington Mortgage”). The Washington Mortgage was entered into on September 28, 2020 by the vendors of the Washington Acquisition with an initial amount of \$874,921 (US \$654,000) and matures on October 1, 2022. The Washington Mortgage bears interest at 12.5%, payable monthly, and secured by a first charge on the property acquired as part of the Washington Acquisition (Note 5(a)). During the three months ended December 31, 2022, the Company refinanced the existing Washington Mortgage amount for aggregate amount of US \$725,000, less a US \$7,500 reserve amount (the “Washington Refinance”). As a result of financing and administrative expenses incurred in relation to the Washington Refinance, no additional cash proceeds were received. The refinanced mortgage has a maturity date five years from the date of the refinancing and bears interest at 9.25% per annum for the first two years with interest escalators in subsequent years.

As at March 31, 2023, the amount outstanding under the Washington Mortgage amounted to \$970,993 (June 30, 2022 – \$824,852). Total interest expense in relation to the Washington Mortgage, inclusive of financing and administrative costs in relation to the Washington Refinance, amounted to \$41,880 and \$183,583, respectively, during the three and nine months ended March 31, 2023 (March 31, 2022 – \$25,905 and \$77,389, respectively).

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

15. CONTRACT LIABILITY

The Company's contract liability is deferred revenue which relates to revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) which amounted to \$155,285 (June 30, 2022 – \$185,696). Details of the Company's contract liability is noted as follows:

		March 31, 2023	June 30, 2022
Opening balance	\$	185,696	\$ 226,903
Additions (disposals)		-	-
Changes in exchange rates		8,633	8,123
Revenue recognized from contract liability		(39,044)	(49,330)
Ending balance	\$	155,285	\$ 185,696
Current portion	\$	53,320	\$ 50,771
Long-term portion		101,965	134,925

16. LEASE LIABILITY

The following table represents the lease obligations for the Company as at March 31, 2023 and June 30, 2022:

	\$
Balance, June 30, 2021	3,328,645
Additions during the year	2,227,188
Interest expense	532,773
Lease payments	(985,192)
Extinguishment of the lease liability	(213,329)
Foreign exchange translation	23,894
Balance, June 30, 2022	4,913,979
Additions during the period	-
Interest expense	378,073
Lease payments	(820,740)
Foreign exchange translation	105,309
Balance, March 31, 2023	4,576,621

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

16. LEASE LIABILITY (continued)

Allocated as:

	March 31, 2023	June 30, 2022
	\$	\$
Current	686,125	601,732
Long-term	3,890,496	4,312,247
Total	4,576,621	4,913,979

The following table presents the contractual undiscounted cash flows for lease obligations as at March 31, 2023:

	\$
Less than one year	1,140,144
One to five years	3,647,114
More than five years	1,662,683
Total undiscounted lease obligation	6,449,941

The Company has a lease with a term less than 12 months and recorded \$25,015 and \$75,045, respectively (March 31, 2022 – \$21,196 and \$63,588, respectively) of rent expense attributed to short-term leases during the three and nine months ended March 31, 2023.

17. PROMISSORY NOTES PAYABLE

Secured Promissory Notes – June 19, 2019

On June 19, 2019, the Company issued secured promissory notes in the aggregate principal amount of \$654,350 (US \$500,000). These promissory notes were interest bearing at 15% per annum and matured on December 19, 2019. The Company extended these promissory notes through the issuance of warrants and other associated fees until June 18, 2021. These promissory notes were repaid during the year ended June 30, 2022.

As at March 31, 2023 and June 30, 2022, the value of these promissory notes amounted to \$nil. Interest expense of \$nil (March 31, 2022 – \$nil and \$15,687, respectively) was recorded for the three and nine months ended March 31, 2023.

Unsecured Promissory Notes – April 8, 2020

On April 28, 2020, the Company issued a promissory note (the “Promissory Note C-1”) in the principal amount of \$527,967. The Promissory Note C-1 matures on April 8, 2023 and bears interest at a rate of 6% per annum, calculated in arrears, compounded annually and payable at maturity. The fair value of \$381,093 for the Promissory Note C-1 was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

17. PROMISSORY NOTES PAYABLE (continued)

Unsecured Promissory Notes – April 8, 2020 (continued)

On June 8, 2020, the Company issued a promissory note (the “Promissory Note C-2”) in the principal amount of \$225,000. The Promissory Note C-2 matures on April 8, 2023 and bears interest at a rate of 6% per annum, calculated in arrears, compounded annually and payable at maturity. The fair value of \$160,603 for the Promissory Note C-2 was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt.

On June 8, 2020, the Company issued a promissory note (the “Promissory Note C-3”) in the principal amount of \$196,832. The Promissory Note C-3 matures on April 8, 2023 and bears interest at a rate of 6% per annum, calculated in arrears, compounded annually and payable at maturity. The fair value of \$142,075 for the Promissory Note C-3 was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt.

As at March 31, 2023, the value of these promissory notes amounted to \$366,046 (June 30, 2022 – \$345,442). Interest and accretion in relation to these promissory notes amounted to \$4,105 and \$12,787, respectively, and \$14,578 and \$28,817, respectively (March 31, 2022 – \$5,445 and \$17,844, and \$9,271 and \$45,053, respectively).

Demand Notes – Nine months ended March 31, 2023

During the three and nine months ended March 31, 2023, the Company issued short-term promissory notes (the “Demand Notes”) to certain arm's-length parties. The aggregate amount of Demand Notes issued during the nine months ended March 31, 2023 amounted to US \$850,000, of which US \$100,000 was repaid during the nine months ended March 31, 2023. The total interest and administrative fees charged in relation to these Demand Notes during the three and nine months ended March 31, 2023 amounted to \$45,260 and \$155,186, respectively. As at March 31, 2023, the Demand Notes amounted to \$1,203,786 (June 30, 2022 – \$nil).

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

18. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares.

During the nine months ended March 31, 2023, the Company did not have any common share transactions.

During the year ended June 30, 2022, the Company had the following common share transactions:

- On April 21, 2022, the Company closed a non-brokered private placement financing, pursuant to which the Company issued 6,718,000 units at a price of \$0.31 per unit for gross proceeds of \$2,104,246 (US \$1,679,500); of which \$1,891,879 (US \$1,510,000) was received in cash and \$212,367 (US \$169,500) was issued in settlement of outstanding fees and debt. Each unit is comprised of one common share of the Company and one warrant that entitles the holder to purchase one share of the Company at a price of \$1.25 per share for a period of two years from the date of issuance. \$122,436 was allocated to warrants;
- On February 26, 2022 and in connection with the exercise of share purchase warrants, 700,000 common shares were issued at a price of \$0.30 per share for aggregate proceeds of \$210,000. In relation to this exercise, 124,788 was transferred from contributed surplus to share capital;
- On December 17, 2021 and in connection with the automatic conversion of shares relating to Convertible Debentures Series A-3, 5,354,400 common shares were issued. \$923,590 was transferred from shares to be issued to share capital;
- On August 19, 2021, the Company closed a non-brokered private placement financing, pursuant to which the Company issued 3,379,379 units at a price of \$0.30 per unit for gross proceeds of \$1,013,814; of which \$661,530 was received in cash and \$352,284 was issued in settlement of outstanding fees and debt, which included \$97,500 which was outstanding to a director of the Company. These units were comprised of a common share and a share purchase warrant exercisable at \$0.45 per share for a period of 24 months from the date of issuance; and
- On August 1, 2021 and in connection with the exercise of stock-options by consultants, 200,000 common shares were issued at a price of \$0.25 per share. As a result of this exercise, \$25,959 was transferred from contributed surplus to share capital.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

19. CONVERTIBLE DEBENTURES

Convertible Debentures Series – March 12, 2021

On March 12, 2021, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units of the Company for gross proceeds of \$390,000.

Each debenture unit consists of \$1,000 principal amount of unsecured subordinated convertible debentures and 1,000 common share purchase warrants of the Company. These debentures matured on March 12, 2022 and bear interest at a rate of 15% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the debentures and any accrued interest was convertible into common shares of the Company at the option of the holder at any time prior to the maturity date at a conversion price of \$0.50 per share. The Company also had the option to force conversion of the Debentures of Series A-4 and any accrued interest at the same conversion price if the Company's common shares trade above \$0.50 per share for ten consecutive trading days on the Canadian Securities Exchange. Furthermore, these debentures and accrued interest were convertible into common shares of the Company at maturity at the option of the Company. Each full warrant entitles the holder to purchase one common share of the Company until March 12, 2023 at an exercise price of \$0.75 per share.

These convertible debentures were determined to be an equity instrument, comprising a conversion feature and warrants as a result of the Company being able to avoid a contractual obligation to pay cash related to the principal and interest at maturity. The subscription amount of \$390,000 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of \$208,452 and \$181,548, respectively. The interest expense related to these debentures was added to the equity portion of convertible debt as accrued.

On May 31, 2022, these debenture units were settled into a convertible debenture offering. The principal amount of \$390,000, the accrued interest of \$58,500 was transferred to the May 31, 2022 convertible debenture offering. As a result of the transfer, a loss in the amount of \$99,635 was recorded during the year ended June 30, 2022.

Convertible Debentures Series – May 30, 2022

On May 30, 2022, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units of the Company for gross proceeds of \$897,000.

Each debenture unit consists of \$1,000 principal amount of unsecured subordinated convertible debentures and 1,000 common share purchase warrants of the Company. These debentures mature on May 31, 2023 and bear interest at a rate of 15% per annum, accrued monthly and payable at maturity. The outstanding principal amount of these debentures and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity date at a conversion price of \$0.36 per share. The Company also has the option to force conversion of these debentures and any accrued interest at the same conversion price if the Company's common shares trade above \$1.00 per share for ten consecutive trading days on the Canadian Securities Exchange. Furthermore, these debentures and accrued interest shall automatically convert into common shares of the Company at maturity. Each full warrant entitles the holder to purchase one common share of the Company until May 31, 2023 at an exercise price of \$1.25 per share.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

19. CONVERTIBLE DEBENTURES (continued)

Prior to closing of this convertible debenture offering, the Company exercised its rights of repayment in respect of the convertible debentures the Company issued on March 12, 2021 and, in connection with its election for early repayment, the holders of these convertible debentures directed the Company to retain the funds representing repayment and to apply such funds towards satisfaction of the purchase price for the respective convertible debentures on May 31, 2022. The Company issued an aggregate of \$488,500 worth of debenture units to the subscribers of the March 12, 2021 offering. The remaining \$448,500 pertained to a settlement of outstanding demand loans in the amount of \$390,000 (US \$300,000) and \$58,500 (US \$45,000) of interest.

These convertible debentures were determined to be an equity instrument, comprising a conversion feature and warrants as a result of the Company being able to avoid a contractual obligation to pay cash related to the principal and interest at maturity. The subscription amount of \$897,000 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of \$678,433 and \$218,567, respectively. The interest expense related to these convertible debentures are added to the equity portion of convertible debt as accrued.

During the three and nine months ended March 31, 2023, interest of \$33,638 and \$100,914, respectively, was recorded in the equity portion of the convertible debt (March 31, 2022 – \$12,738 and \$41,988, respectively).

20. OPTIONS

On November 22, 2018, the Company's shareholders approved and the Company adopted a rolling stock option plan (the "Option Plan"), under which the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company. Pursuant to the Option Plan, the Company may issue options for such period and exercise price as may be determined by the Board of Directors, and in any case not exceeding ten (10) years from the date of grant with the total options issued under the Option Plan not exceeding ten percent (10%) of the common shares of the Company, outstanding at the time of the granting of such options. The minimum exercise price of an option granted under the Option plan must not be less than the market value of the common shares on the date such option is granted.

Outstanding options as at March 31, 2023 are as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Life Remaining (yrs)
Directors	3,500,000	\$0.28	0.04
Consultants	1,000,000	\$0.45	0.12
	<u>4,500,000</u>		

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

20. OPTIONS (continued)

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Fair Value
Apr. 7, 2020 ^(iv)	Apr. 6, 2023	3,000,000	3,000,000	\$0.25	\$369,426
May 16, 2020 ^(v)	May 5, 2023	1,500,000	1,500,000	\$0.45	\$396,036

The fair value of these issued stock options were determined using the Black-Scholes Option Pricing Model with the following range of assumptions:

Stock price	\$0.19-0.405
Risk-free interest rate	0.33-1.37 %
Expected life	3 years
Estimated volatility in the market price of the common shares	112-124 %
Dividend yield	nil

During the three and nine months ended March 31, 2023, 600,000 stock options expired, unexercised.

There were no stock options issued during the three and nine months ended March 31, 2023 and year ended June 30, 2022.

During the year ended June 30, 2022 and in connection with stock options previously issued to consultants, stock options were exercised for the purchase of 200,000 common shares of the Company at an exercise price of \$0.25 per share for gross proceeds of \$50,000. As a result of this exercise, contributed surplus in the amount of \$25,959 was transferred to share capital.

During the three and nine months ended March 31, 2023, the Company expensed \$nil (March 31, 2022 – \$nil) of the fair value of the stock options.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

21. WARRANTS

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Life Remaining (years)
June 30, 2021	10,249,500	0.53	2.00
Issued	10,097,379	0.98	2.00
Exercised	(700,000)	0.30	0.16
Expired	(3,309,500)	0.48	-
June 30, 2022	21,677,379	0.65	1.00
Issued	-	-	-
Exercised	-	-	-
Expired	(11,580,000)	0.40	-
March 31, 2023	10,097,379	0.98	0.83

During the nine months ended March 31, 2023:

- 11,580,000 common share purchase warrants expired, unexercised.

During the year ended June 30, 2022:

- The Company issued 6,718,000 common share purchase warrants in connection with a non-brokered convertible debenture offering;
- The Company issued 3,379,379 common share purchase warrants in connection with a non-brokered private placement;
- 700,000 common share purchase warrants were exercised;
- 3,309,500 common share purchase warrants expired, unexercised; and
- No common share purchase warrants were forfeited or cancelled.

During the three and nine months ended March 31, 2023, the Company expensed \$nil (March 31, 2022 – \$nil and \$1,920, respectively), in the fair value of warrants as a result of the issuances which have been recorded as share based compensation.

22. COMMITMENTS

(a) Employment Agreements

The Company is party to certain employments agreements with key executives of the Company that contain clauses requiring additional payments of up to two times the annual entitlements under these agreements upon occurrence of certain events, such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

23. RELATED PARTY TRANSACTIONS

Related party transactions as at and for the three and nine months ended March 31, 2023 and 2022 and the balances as at March 31, 2023 and June 30, 2022, not disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

- a) During the three and nine months ended March 31, 2023, the Company expensed \$165,000 and \$669,000, respectively (March 31, 2022 – \$174,000 and \$504,000, respectively), in fees payable to officers and directors of the Company and in fees payable to a corporation related by virtue of a common officer and director. As at March 31, 2023, the Company had fees payable to officers and directors of the Company of \$2,360,375 (June 30, 2022 – \$1,879,125).

24. FINANCIAL INSTRUMENTS AND RISK FACTORS

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements is as follows:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3: inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair values of the Company's financial instruments consisting of cash and cash equivalents, restricted cash, accounts receivable, promissory notes payable, mortgage payable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short-term maturities of these instruments.

Risk Management Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these condensed interim consolidated financial statements. The following analysis provides a measurement of risks as at March 31, 2023:

Credit Risk

The Company's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, totals the carrying amount of these assets as stated in the consolidated statements of financial position. The Company's principal financial assets are cash, restricted investments and accounts receivable, which represent the Company's exposure to credit risk in relation to financial assets. The credit risk on cash and restricted investments is mitigated by transacting with banks with high credit ratings assigned by international credit-rating agencies. An allowance for expected credit losses is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

24. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at March 31, 2023, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and therefore it is not currently subject to any significant interest rate risk.

(ii) Foreign Currency Risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at March 31, 2023, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

(iii) Price Risk

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. In addition, the Company does not have any equity investments in other listed public companies, and therefore it is not subject to any significant stock market price risk.

25. CAPITAL MANAGEMENT

The Company's definition of capital includes all components of shareholders' equity excluding non-controlling interest. As at March 31, 2023, the Company's capital amounted to \$3,452,346 (June 30, 2022 – \$5,861,494). The Company's objectives when managing capital are as follows:

- (i) to safeguard the Company's ability to continue as a going concern; and
- (ii) to raise sufficient capital to meet its business objectives.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term and long-term capital requirements. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or debt.