



CordovaCann Corp.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2023**

Prepared as at May 30, 2023

CordovaCann Corp.

Management's Discussion and Analysis

For the Three and Nine Months Ended March 31, 2023

Management's Discussion and Analysis

The following discussion and analysis by management of the financial results and condition of CordovaCann Corp. for the three and nine months ended March 31, 2023 should be read in conjunction with the condensed interim consolidated financial statements for the three and nine months ended March 31, 2023 and the annual audited consolidated financial statements for the year ended June 30, 2022. The Company's financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC").

All dollars referred to herein are expressed in Canadian dollars except where indicated otherwise.

This management discussion and analysis is prepared by management as at May 30, 2023.

In this report, the words "us", "we", "our", the "Company" and "CordovaCann" have the same meaning unless otherwise stated and refer to CordovaCann Corp. and its subsidiaries.

Forward Looking Statements

Certain statements contained in this report are forward-looking statements. All statements, other than statements of historical facts, included herein or incorporated by reference herein, including without limitation, statements regarding the Company's business strategy, plans and objectives of management for future operations and those statements preceded by, followed by or that otherwise include the words "believe", "expects", "anticipates", "intends", "estimates" or similar expressions or variations on such expressions are forward-looking statements. We can give no assurances that such forward-looking statements will prove to be correct.

Each forward-looking statement reflects the Company's current view of future events and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from any results expressed or implied by the Company's forward-looking statements.

Risks and uncertainties include, but are not limited to:

- lack of substantial operating history;
- the impact of competition; and
- the enforceability of legal rights.

Important factors that could cause the actual results to differ from materially from the Company's expectations are disclosed in more detail set forth under the heading "Risk Factors" above. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Overview

Business Overview

CordovaCann Corp. (formerly, LiveReel Media Corporation) (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. On January 3, 2018, the Company changed its name from LiveReel Media Corporation to CordovaCann Corp. The Company’s principal address is 217 Queen Street West, Suite 401, Toronto, Ontario, M5V 0R2.

The Company’s common shares (the “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”.

The Company has the following three-pronged strategy to approach the cannabis marketplace:

Retail

The Company’s retail business continues to grow its presence in Canada with 14 stores across four provinces and it is looking to establish a footprint in the United States. The Company’s current stores have compelling store unit economics, where stores are quickly profitable and have an investment payback of twelve months or less after opening. Cordova primarily targets markets where the stores become part of the fabric of the communities around them, thus creating a loyal customer base for its stores. The Company continues to pursue successful one-off retailers and small chains at valuations that are very accretive to the base.

White Label Manufacturing

The Company is focused on establishing white-label manufacturing of cannabis products to aid in the geographic proliferation of strong cannabis brands. Cordova plans on partnering with the best brands in its jurisdictions to lower the cost of production and accelerate the time to additional markets. Outsourcing manufacturing allows brands to focus on increasing audience size and share, while still dictating the production process. Cordova plans to attract these brands via its geographically diversified production facilities, which will enable brands to enter multiple new states at once.

Niche Cannabis Brands

The third key sector of focus for Cordova is developing or acquiring niche brands that have cult-like followings that can be introduced to new markets. Although most significant cannabis brands have been born on the west coast, they have neglected the opportunity to expand geographically. The potential to create national brands is expected to accelerate with the anticipated upcoming federal legalization and Cordova has the ability to leverage investments in white label manufacturing and larger retail chains to drive brand awareness and increase brand profitability.

Key Transaction Summaries

Summary of Investment in 2734158 Ontario Inc.

On May 19, 2020, the Company completed the purchase of its initial stake of 2734158 Ontario Inc. (“273”), an arm’s length Ontario-based cannabis retail venture (the “Ontario Transaction”). Cordova invested seven hundred twenty-three thousand dollars (\$723,000) in 273 in exchange for 50.1% of 273. Cordova invested two hundred thousand dollars (\$200,000) for 21.7% of 273 at the close of the Transaction, and invested (i) two hundred thousand dollars (\$200,000) on June 14, 2020, (ii) two hundred thousand dollars (\$200,000) on July 14, 2020, and (iii) one hundred twenty-three thousand dollars (\$123,000) on August 13, 2020, which collectively gave the Company ownership of 50.1% of 273 after all payments were made. The Transaction is subject to approval from the Alcohol and Gaming Commission of Ontario and compliance with all applicable laws, rules and regulations. Cordova holds 4 of 6 board seats of 273 and has a right of first refusal on any future sale of primary or secondary shares in 273. The retail stores are operated by 273 under the Star Buds brand name, and Cordova is leveraging its assets of Starbuds International Inc. to provide 273 with retail store designs and layouts, standard operating procedures, staff training, financing resources and systems support. On September 17, 2020, the Company acquired an additional 10.35% of the common shares of 273 not previously owned by Cordova (the “Additional Shares”) bringing its accumulated ownership of 273 to 60.45%. The total purchase price for the Additional Shares amounted to \$305,267, of which \$265,975 was paid during the year end June 30, 2021 and the remainder \$39,292 was paid during the three months ending March 31, 2022.

Summary of Manitoba Transaction

On December 2, 2020, the Company, through its wholly owned subsidiary Cordova Investments Canada, Inc., completed the purchase of a 51% stake in 10062771 Manitoba Ltd. (“Manitoba Ltd.”) a Manitoba-based cannabis retail venture (the “Manitoba Transaction”). The purchase price for the shares was one hundred fifty thousand dollars (\$150,000) payable to Manitoba Ltd. and six million (6,000,000) warrants of the Company to be granted to the current shareholders of Manitoba Ltd., with each warrant entitling the holder thereof to purchase one common share in the capital of the Company at an exercise price of \$0.32 until November 30, 2022. In addition, the Company has 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. The stores will be operated by Manitoba Ltd. under the Star Buds brand name, and the Company will provide the financing resources and systems support as needed. The Company also has a right of first refusal regarding any future primary issuance or secondary sale of shares of Manitoba Ltd., and has a call option to purchase all of the outstanding equity interests of Manitoba Ltd. at any time following the two-year anniversary of the closing date at a valuation equivalent to four times the trailing twelve months normalized EBITDA of Manitoba Ltd.

Summary of Oregon Transaction

On August 4, 2021, the Company, through its wholly-owned subsidiary, Cordova OR Operations, LLC (“OR Operations”) sold all of its land, building and equipment (the “Oregon Property”) for US \$2,200,000 and entered into an agreement to lease the Oregon Property from the buyer (the “Sale Leaseback”). The Sale Leaseback will allow the Company to operate 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 finance the planned Oregon expansion. A total of US \$600,000 of the purchase price has been placed in escrow by the buyer to allow the Company to complete its buildout of the facility. The Sale Leaseback commenced on August 1, 2021.

Summary of Washington Transaction

On February 26, 2021, Cordova WA entered into an agreement to acquire 100% of Extraction Technologies, LLC (“Extraction Tech”), a Washington-based company that provides cannabis extraction services to multiple cannabis licensed processors and will enable Cordova to provide manufactured

cannabis products on both a white label and branded basis throughout the state of Washington. Extraction Tech owns a manufacturing building, processing equipment and contracts with tolling and white label customers. The consideration for the Transaction was three million (3,000,000) common shares of the Company on the closing date and an earnout payment of five hundred thousand (500,000) common shares of the Company for every \$125,000 US dollars in EBITDA generated by Extraction Tech during the 12-month period beginning on the 3-month anniversary of the closing date and ending of the 15-month anniversary of the closing date. The maximum earnout payment that could be paid for the acquisition of Extraction Tech was four million (4,000,000) common shares.

Summary of AuBio Transaction

On June 27, 2022 (the “Closing Date”), the Company, through its wholly-owned subsidiary, CordovaCann Holdings, Inc., acquired the rights to purchase assets (the “Assets”) of AuBio Labs, LLC (“AuBio”). AuBio is an arm’s length California-based company that holds licenses, equipment and a leased facility to provide cannabis extraction services and manufactured products for sale to licensed cannabis retailers in the State (the “Transaction”). The Assets will enable Cordova to produce a variety of cannabis products on both a white label and branded basis for the largest cannabis market in the world. AuBio, headquartered in Costa Mesa, California will launch a lineup of cannabis derivative products under the AuMor brand and will also produce extracts and end products for other licensed cannabis operators via tolling agreements and white label manufacturing contracts. The business is expanding its customer base and product offerings and will continue to be led by its founder. The Assets include equipment for extraction and manufacturing, intellectual property related to various AuBio brands already in the market or that are expected to be launched, contracts regarding the distribution of branded products, and the option to secure the currently leased premises in Costa Mesa. The consideration for the Transaction is US \$700,000, of which US \$100,000 was provided as a loan to AuBio on the Closing Date and another US \$100,000 has been provided as a loan since. Subsequent to March 31, 2023, the Company and the vendor agreed to extend the period over which the remainder of the consideration may be advanced past May 31, 2023. Upon providing the final loan tranche, the Company has the option to convert the loan to equity for full ownership of the Assets.

Business Plan and Strategy

CordovaCann is committed to assembling a premier cannabis business with a vision to becoming a global industry leader. The Company is building and acquiring leading cannabis retail, processing and production operators in key jurisdictions that will enable CordovaCann to serve national and international markets that have legal, regulated medical, and/or recreational cannabis industries. The Company is focused on expanding its retail footprint, investing and scaling its branded product portfolio, and leveraging excess capacity for white label manufacturing. The Company intends to leverage its low-cost infrastructure, administrative support, and move toward vertical integration in key markets to establish a global multi-jurisdictional platform.

CordovaCann continues to work with knowledgeable cannabis operators and over the next twelve months, the Company is focused on growing its retail operations in both Canada and the United States. It is also working to expand the throughput of its wholesale operations as well as launch branded products in its U.S. markets. Moving forward, the Company will also seek to enter additional key legal markets not currently served by CordovaCann, as well as seek to expand operations in those markets where the Company already has a presence. CordovaCann plans to develop various end products for distribution in each of its current markets as well as to service other brands and intellectual property owners with its growing processing and manufacturing platforms and allow these clients and prospective clients to gain access to our distribution channels to generate additional revenue for the Company.

CordovaCann’s long-term focus is to continue expanding its reach into additional legal markets, and the Company expects to organically build and acquire cannabis producers, processors and retailers globally.

The Company continues to develop and acquire additional operations and products, and broaden its channels for distribution.

Outlook

Current Outlook

Management continues to take an active approach to examining business opportunities in the cannabis industry that could enhance shareholder value. The focus in the near term is to continue to grow its retail operations in Canada where the Company has established a presence in the Provinces of Ontario, Manitoba, Alberta and British Columbia. The Company is expecting to grow its retail operations both through development of new stores as well as looking for acquisition opportunities in strategic markets.

CordovaCann is also focussing on growing its presence in the United States. Along with its growing operations in Oregon, Washington and California, the Company is actively pursuing new opportunities in additional states to add to its portfolio, with its goal of having vertically integrated operations in key global cannabis markets.

Selected Financings

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 US \$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.

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.

On February 19, 2021, the Company issued 6,117,721 common shares of the Company for gross proceeds of \$1,976,870; of which \$1,380,400 was received in cash and \$596,570 was issued in settlement of outstanding fees and debt.

Number of Common Shares

There were 109,502,853 Common Shares issued and outstanding as at March 31, 2023 and 109,502,853 Common Shares issued and outstanding as at May 30, 2023 being the date of this report. There were 4,500,000 options issued and outstanding as at March 31, 2023 and nil options issued and outstanding as at May 30, 2023. There were 10,097,379 share purchase warrants issued and outstanding as at March 31, 2023 and May 30, 2023.

Quarterly Financial Results

The following table summarizes financial information for the 3rd quarter of fiscal 2023 and the preceding seven quarters:

Quarter Ended	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	3,210,982	3,436,399	3,695,713	2,941,888	3,322,500	3,486,983	3,774,713	3,255,490
Loss from continuing operations	(783,028)	(982,607)	(734,487)	(1,674,608)	(1,023,462)	(637,702)	(648,057)	(2,948,269)
Net loss per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)

Results of Operations

	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
Operating expenses	(1,476,913)	(1,816,128)	(4,787,435)	(4,848,379)
Other income (expense)	(217,256)	(230,713)	(636,586)	(451,277)
Income tax recovery (expense)	(16,720)	27,798	(14,880)	(22,382)
Net loss	(783,028)	(1,023,462)	(2,500,122)	(2,309,221)

Revenue

For the three and nine months ended March 31, 2023, the Company's revenue amounted to \$3,210,982 and \$10,343,094, respectively, as compared to \$3,322,500 and \$10,584,196, respectively for the three and nine months ended March 31, 2022. Revenue is primarily related to the cannabis retail operations of the Company in the provinces of Ontario, Manitoba and Alberta. Further, investments in Washington and Oregon operations have also contributed to the revenue during the three and nine months ended March 31, 2023 and 2022. Over the nine months ending March 31, 2023, the Company initiated the refurbishment and further buildout of its Oregon property leading to minimal revenue from that operation, causing the slight decline in overall revenue in comparison to the same period in prior year. This buildout is expected to provide strong revenue growth once completed over the upcoming quarters.

Cost of Sales and Gross Margin

For the three and nine months ended March 31, 2023, the Company incurred \$2,283,121 and \$7,404,315, respectively, as compared to \$2,326,919 and \$7,571,379, for the three and nine months ended March 31, 2022 of cost of sales and realized gross margin of \$927,861 and \$2,938,779, respectively (March 31, 2022 - \$995,581 and \$3,012,817, respectively), primarily related to its retail operations in Canada.

Operating Expenses

The Company incurred the following operating expenses over the three and nine months ended March 31, 2023, and 2022:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022
	\$	\$	\$	\$
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	-	-	-	1,920
Amortization of right-of-use assets	195,196	199,737	583,892	582,689
Depreciation	53,316	111,336	172,370	257,409
Amortization of licenses	41,146	55,145	123,437	165,435
	1,476,913	1,816,128	4,787,435	4,848,379

The overall analysis of the key expenses above is as follows:

Salaries and wages

Salaries and wages for the three and nine months ended March 31, 2023 amounted to \$557,119 and \$1,857,517, respectively, as compared to \$709,514 and \$1,703,056, respectively for the three and nine months ended March 31, 2022. The salaries and wages expenses are primarily related to the employees hired for the Company's retail cannabis operations.

Consulting fees

Consulting fees for the three and nine months ended March 31, 2023 amounted to \$227,708 and \$781,812, respectively, as compared to \$265,906 and \$655,818, respectively for the three and nine months ended March 31, 2022. Consulting fees related to fees accrued for the officers of the Company and other consultants that support the Company and the increase is related to team members hired to support the upcoming growth in the US operations.

Office and general

Office and general for the three and nine months ended March 31, 2023 amounted to \$285,838 and \$792,182, respectively, as compared to \$245,531 and \$753,276, respectively for the three and nine months ended March 31, 2022. Office and general costs were primarily comprised of administrative, travel and other expenses including retail related payment processing services incurred by the Company and its employees and consultants.

Leases and utilities

Leases and utilities for the three and nine months ended March 31, 2023 amounted to \$58,225 and \$269,795, respectively, as compared to \$125,021 and \$466,457, respectively for the three and nine months ended March 31, 2022. Lease and utilities expenses relate to the leases entered into through the Company's retail platforms as well as the sale-leaseback transaction for its Oregon Property. The decrease over the comparative period is due to the reduced overhead incurred related to the Company's operating leases in Oregon and its locations in the Western provinces.

Shareholder information services

Shareholders information services for the three and nine months ended March 31, 2023 amounted to \$49,700 and \$159,911, respectively, as compared to \$67,237 and \$175,976, respectively for the three and nine months ended March 31, 2022. Shareholder information services for the three and nine months ended March 31, 2023, and 2022 were comprised of director fees, transfer agent fees, other filing fees and investor relation services.

Professional fees

Professional fees for the three and nine months ended March 31, 2023 amounted to \$8,665 and \$46,519, respectively, as compared to \$36,701 and \$86,343, respectively for the three and nine months ended March 31, 2022. Professional fees for the three and nine months ended March 31, 2023 and 2022 were comprised of legal fees associated with the Company's compliance costs as a public entity.

Share based compensation

Share based compensation for the three and nine months ended March 31, 2023 amounted to \$nil and \$nil, respectively, as compared to \$nil and \$1,920, respectively for the three and nine months ended March 31, 2022. The share-based compensation expense for the nine months ended March 31, 2022 was in relation to the graded vesting of warrants that were issued previously.

Amortization of right-of-use assets

Amortization of right-of-use assets for the three and nine months ended March 31, 2023 amounted to \$195,196 and \$583,892, respectively, as compared to \$199,737 and \$582,689, respectively for the three and nine months ended March 31, 2022. Amortization relates to the Company's retail leases entered into as part of the Star Buds acquisition, the Ontario leases, the Manitoba leases, and the Oregon lease as a result of the sales-lease back transaction during the three and nine months ended March 31, 2023.

Depreciation

Depreciation for the three and nine months ended March 31, 2023 amounted to \$53,316 and \$172,370, respectively, as compared to \$111,336 and \$257,409, respectively for the three and nine months ended March 31, 2022. Depreciation relates to the depreciation of tangible assets purchased for the Company's retail cannabis stores.

Amortization of licenses

Amortization of licenses for the three and nine months ended March 31, 2023 amounted to \$41,146 and \$123,437, respectively, as compared to \$55,145 and \$165,435, respectively for the three and nine months ended March 31, 2022. Amortization of licenses relates to the retail cannabis license acquired as part of the acquisition of 2734158 Ontario Inc. during the year ended June 30, 2020 and the retail cannabis license acquired as part of the acquisition of 10062771 Manitoba Ltd. during the year ended June 30, 2021.

Other Income and Expenses

The overall analysis of other income/expenses is as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022
	\$	\$	\$	\$
Interest expenses	(124,881)	(131,823)	(487,402)	(205,847)
Interest on lease liability	(123,558)	(137,135)	(378,073)	(397,581)
Accretion expense	(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
	(217,256)	(230,713)	(636,586)	(451,277)

Interest expenses

Interest expenses for the three and nine months ended March 31, 2023 amounted to \$124,881 and \$487,402, respectively, as compared to \$131,823 and \$205,847, respectively for the three and nine months ended March 31, 2022. The interest expense during the three and nine months ended March 31, 2023 and 2022 was primarily in relation to convertible debentures, promissory notes and mortgages issued. The increase in interest during the three and nine months ended March 31, 2023 is due to the issuance of Demand Loans as noted below along with the financing and administrative costs associated with the Washington Refinance.

Interest on lease liability

Interest on lease liability for the three and nine months ended March 31, 2023 amounted to \$123,558 and \$378,073, respectively, as compared to \$137,135 and \$397,581, respectively for the three and nine months ended March 31, 2022. Interest on lease liability relates to the Company's retail leases entered into as part of the Star Buds acquisition, the Ontario leases, the Manitoba leases, and the Oregon lease as a result of the sales-lease back transaction during the three and nine months ended March 31, 2023.

Accretion expense

Accretion expense for the three and nine months ended March 31, 2023 amounted to \$14,578 and \$28,817, respectively, as compared to \$19,958 and \$55,740, respectively for the three and nine months ended March 31, 2022. Accretion expense relates to the accreted interest on promissory notes. The decrease in accretion expense is due the repayment of these promissory notes during the year ended June 30, 2022 and the nine months ended March 31, 2023.

Foreign exchange gain (loss)

Foreign exchange gain (loss) for the three and nine months ended March 31, 2023 amounted to \$(351) and \$120,804, respectively, as compared to \$24,632 and \$99,170, respectively for the three and nine months ended March 31, 2022. The foreign exchange gains during the three and nine months ended March 31, 2023, and 2022 were a result of the exchange rate fluctuations related to transactions based in United States Dollars.

Other income

Other income for the three and nine months ended March 31, 2023 amounted to \$46,112 and \$136,902, respectively, as compared to \$33,571 and \$108,721, respectively for the three and nine months ended March 31, 2022. Other income is related to rental of the Company's Washington property as well sale of data related to its retail operations.

Liquidity and Capital Resources

Working Capital

As at March 31, 2023, the Company had total assets of \$15,743,203 (June 30, 2022 - \$16,750,965) consisting of the following:

	March 31, 2023	June 30, 2022
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	202,098	714,826
Restricted cash	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	270,660	128,860
Inventory	916,132	723,953
Other deposit	54,132	100,220
Total current assets	2,260,807	3,210,828
Right-of-use assets	3,961,849	3,439,705
Property and equipment, net	3,994,937	4,451,385
Intangible assets	5,243,967	5,243,967
Licenses	281,643	405,080
Total assets	15,743,203	16,750,965

The slight decrease in total assets from June 30, 2022 to March 31, 2023 was primarily a result of a reduction of cash and restricted cash, along with the depreciation of property and equipment and right-of-use assets.

As at March 31, 2023, the Company had total liabilities of \$11,543,448 (June 30, 2022 – \$10,164,578) consisting of the following:

	March 31, 2023	June 30, 2022
	\$	\$
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,127,450	3,557,172
Mortgage payable	-	824,852
Income taxes payable	126,629	316,017
Harmonized sales tax payable	53,320	
Contract liability	6,558	50,771
Lease liability	686,125	601,732
Promissory notes payable	1,569,832	345,442
Total current liabilities	6,569,914	5,695,986
Deferred tax liability	10,080	21,420
Mortgage payable	970,993	-
Contract liability	101,965	134,925
Lease liability	3,890,496	4,312,247
Total liabilities	11,543,448	10,164,578

The increase in liabilities from June 30, 2022 to March 31, 2023 was primarily related to the increase in promissory notes and the Washington Refinance as noted below.

As at March 31, 2023, the Company had a working capital deficiency of \$4,309,107 as compared to a working capital deficiency of \$2,485,158 as at June 30, 2022. 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 raises a material concern. To this point, all cashflow shortfall from operational activities and overhead costs have been funded through equity issuances, debt issuances and related party advances.

Cash Used in Operating Activities

The Company used cash in operating activities in the amount of \$606,269 (March 31, 2022 – \$950,489) for the nine months ended March 31, 2023 due to the reasons discussed above.

Cash Provided by (used in) Investing Activities

Cash used in investing activities during the nine months ended March 31, 2023 amounted to \$786,812 as compared to cash provided by investing activities in the amount of \$2,325,305 during the nine months ended March 31, 2022. The investing activities during the nine months ended March 31, 2023 were related to advances towards the AuBio Transaction as noted below and the buildout of the Oregon Property while the investing activities during the nine months ended March 31, 2022 primarily related the sale-leaseback transaction on the Oregon Property and additions to property and equipment for the Company's retail stores.

Cash Provided by (used in) From Financing Activities

Cash provided by financing activities during the nine months ended March 31, 2023 amounted to \$249,560 as compared to cash used in financing activities in the amount of \$636,244 during the nine months ended March 31, 2022. In addition to investment in property and equipment, the financing activities during the nine months ended March 31, 2023 related to the proceeds from the issuance of promissory note, the repayment of promissory notes, the payment of lease liabilities, and proceeds received from an outstanding receivable amount from Joint Forces. The financing activities during the nine months ended March 31, 2022 related to the repayment of the Oregon Mortgage, other debt and lease liabilities.

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 US \$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.
- 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.

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.

Stock 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>		

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

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.

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 nine 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).

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.

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 – \$2,945 and \$8,834, and \$4,523 and \$13,447, 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).

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.

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, 2023. 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).

Key Contractual Obligations

There are no other key contractual obligations as at March 31, 2023 other than leases entered into through its retail operations disclosed in details in the accompanying financial statements.

On July 20, 2021, the Company entered into a lease agreement with the buyer of Oregon Property. The lease commenced on August 1, 2021 with the initial term of ten years and two subsequent ten-year renewal periods. There was 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.

Off Balance Sheet Arrangements

As at March 31, 2023, the Company did not have any off-Balance Sheet arrangements, including any relationships with unconsolidated entities or financial partnerships to enhance perceived liquidity.

Transactions with Related Parties

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 the Company's condensed interim consolidated financial statements are as follows:

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).

Financial and Derivative Instruments

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 consolidated financial statements. The following analysis provides a measurement of risks as at March 31, 2023:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any significant credit 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. Liquidity risk continues to be a key concern in the development of future operations.

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 cash flow interest rate 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.

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 investment in other listed public companies, and therefore it is not subject to any significant stock market price risk.

Critical Accounting Policies

These consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise disclosed. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

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).

Use of Estimates and Judgements

The preparation of these 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these 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.

Basis of Consolidation

These consolidated financial statements include those of the Company and of the entities controlled by the Company (the “subsidiaries”). 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 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

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the expected service periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debentures that can be converted into common shares and promissory notes payable attached with warrants. The Compound financial instruments are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements. The conversion feature of the convertible promissory notes is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument. One of criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash ("fixed for fixed").

If the conversion feature meets the fixed for fixed criteria, the conversion option will be classified as equity components. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the compound financial instruments is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criteria, the conversion option will be recorded as derivative financial liability, which must be separately accounted for at fair value on initial recognition. The carrying amount of the debt component, on initial recognition, is recalculated as the difference between the proceeds of the convertible promissory notes as a whole and the fair value of the derivative financial liabilities. Subsequent to initial recognition, the derivative financial liability is re-measured at fair value at the end of each reporting period with changes in fair value recognized in the statement of operation for each reporting period, while the debt component is accreted to the face value of the debt using the effective interest method.

Transaction costs are allocated to the debt and equity components in proportion to the allocation of the proceeds on initial recognition. Transaction costs allocated to equity components will be accounted for as a deduction from equity, net of any related income tax benefit; cost allocated to the derivative financial liability component are expensed; and cost allocated to the debt component are offset against the carrying amount of the liability and included in the determination of the effective interest rate.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the computed financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-

measured subsequent to initial recognition except on conversion or upon expiration, when the carrying value of the equity portion is transferred to common shares or contributed surplus.

Financial instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Under IFRS 9, such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"); or (iii) at fair value through profit or loss ("FVTPL").

Amortized cost - Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

Fair value through other comprehensive income - Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

FVTPL - Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Financial liabilities

Under IFRS 9, financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

The following table summarizes the classification of the Company's financial instruments:

IFRS 9
Classification

Financial assets

Cash and cash equivalents	Amortized cost
Loan receivable	Amortized cost
Other deposit	Amortized cost

Financial liabilities

Accounts payable and accrued liabilities	Amortized cost
Mortgage payable	Amortized cost
Promissory notes payable	Amortized cost

The adoption of IFRS 9 did not have an impact on the Company's classification and measurement of financial assets and liabilities. On adoption of IFRS 9 on July 1, 2018, there was no change in the carrying value of the financial instruments on transition from IAS 39. IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For accounts receivable excluding taxes receivable, the Company utilized a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and other factors. The carrying amount of trade receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets at amortized cost.

Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Inventories

Inventories for finished cannabis goods are initially valued at cost, and subsequently at the lower of cost and net realizable value. Cost is determined using the average costing method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews inventory for

obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value.

Revenue

Revenue from the sale of cannabis goods is recognized when the significant risks and rewards of ownership have been transferred, generally at the date of transfer of ownership title. Revenue from the sale of goods is measured at the fair value of the consideration received.

Evaluation of Disclosure Control and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Our management, including our Chief Executive Officer and Chief Financial Officer, together with the members of our Audit Committee have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this report.

There were no changes to our internal control over financial reporting since March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Business Environment

Compliance with Applicable State Law

Each licensee of the Intellectual Property complies with applicable U.S. state licensing requirements as follows: (1) each licensee is licensed pursuant to applicable U.S. state law to cultivate, possess and/or distribute cannabis in such state; (2) renewal dates for such licenses are docketed by legal counsel and/or other advisors; (3) random internal audits of the licensee's business activities are conducted by the applicable state regulator and by the respective investee to ensure compliance with applicable state law; (4) each employee is provided with an employee handbook that outlines internal standard operating procedures in connection with the cultivation, possession and distribution of cannabis to ensure that all cannabis inventory and proceeds from the sale of such cannabis are properly accounted for and tracked, using scanners to confirm each customer's legal age and the validity of each customer's drivers' license; (5) each room that cannabis inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance; (6) software is used to track cannabis inventory from seed-to-sale; and (7) each licensee is contractually obligated to comply with applicable state law in connection with the cultivation, possession and/or distribution of cannabis. CordovaCann's U.S. legal counsel reviews, from time to time, the licenses and documents referenced above in order to confirm such information and identify any deficiencies.

Oregon's Cannabis Regulatory Environment

For the purposes of Staff Notice 51-352, the assets and interests held by CordovaCann in Oregon are classified as "ancillary" involvement in the U.S. cannabis industry.

Oregon authorized the cultivation, possession and distribution of cannabis by certain licensed Oregon cannabis businesses. The Oregon Liquor Control Commission regulates Oregon's cannabis regulatory program. CordovaCann is advised by U.S. legal counsel and/or other advisors in connection with Oregon's cannabis regulatory program. CordovaCann only engages in transactions with Oregon cannabis businesses that hold licenses that are in good standing to cultivate, possess and/or distribute cannabis in Oregon in compliance with Oregon's cannabis regulatory program. To the extent required by Oregon's cannabis

regulatory program, CordovaCann has fully disclosed and/or registered each financial interest CordovaCann holds in such Oregon cannabis business.

California's Cannabis Regulatory Environment

For the purposes of Staff Notice 51-352, the assets and interests contemplated to be held by CordovaCann in California are classified as “ancillary” involvement in the U.S. cannabis industry.

California authorized the cultivation, possession and distribution of cannabis by certain licensed California cannabis businesses. The California Bureau of Cannabis Control regulates California’s cannabis regulatory program. CordovaCann is advised by U.S. legal counsel and/or other advisors in connection with California’s cannabis regulatory program. CordovaCann only engages in transactions with California cannabis businesses that hold licenses that are in good standing to cultivate, possess and/or distribute cannabis in California in compliance with California’s cannabis regulatory program. To the extent required by California’s cannabis regulatory program, CordovaCann has fully disclosed and/or registered each financial interest CordovaCann holds in such California cannabis business.

Washington's Cannabis Regulatory Environment

For the purposes of Staff Notice 51-352, the assets and interests contemplated to be held by CordovaCann in Washington are classified as “ancillary” involvement in the U.S. cannabis industry.

Washington authorized the cultivation, possession and distribution of cannabis by certain licensed Washington cannabis businesses. The Washington State Liquor and Cannabis Board regulates Washington’s cannabis regulatory program. CordovaCann is advised by U.S. legal counsel and/or other advisors in connection with Washington’s cannabis regulatory program. CordovaCann only engages in transactions with Washington cannabis businesses that hold licenses that are in good standing to cultivate, possess and/or distribute cannabis in Washington in compliance with Washington’s cannabis regulatory program. To the extent required by Washington’s cannabis regulatory program, CordovaCann has fully disclosed and/or registered each financial interest CordovaCann holds in such Washington cannabis business.

Public Securities Filings

Additional information regarding the Company is filed with the Canadian Securities Administrators at www.sedar.com and with the United States Securities and Exchange Commission and can be viewed at www.edgar.gov.