



CordovaCann Corp.

Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended December 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

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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.

February 29, 2024

CordovaCann Corp.

Condensed Interim Consolidated Statements of Financial Position (Unaudited - Expressed in Canadian Dollars)

As at		December 31, 2023	June 30, 2023
	Note	\$	\$
ASSETS			
Current			
Cash and cash equivalents		633,201	248,416
Restricted cash	6	9,784	171,405
Accounts receivable		58,232	47,202
Prepaid expenses and deposits		231,835	209,493
Inventory	7	965,594	919,481
Other deposit	8	52,904	52,960
Total current assets		1,951,550	1,648,957
Property and equipment, net	9	2,755,883	2,880,863
Right-of-use assets	10	2,181,285	2,395,049
Intangible assets	11	3,098,339	3,098,339
Licenses	12	158,206	240,498
Total assets		10,145,263	10,263,706
LIABILITIES			
Current			
Accounts payable and accrued liabilities		5,246,847	4,600,357
Mortgage payable	13	33,006	31,475
Income taxes payable		155,616	132,318
Contract liability	14	52,110	52,166
Harmonized sales tax payable		41,911	33,623
Lease liability	15	437,373	419,529
Convertible debentures	18	1,110,038	1,042,763
Promissory notes payable	16	1,576,691	1,569,253
Total current liabilities		8,653,592	7,881,484
Deferred tax liability		-	6,300
Mortgage payable	13	893,561	911,428
Contract liability	14	60,534	86,752
Lease liabilities	15	2,256,604	2,404,964
Total liabilities		11,864,291	11,290,928
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	17	30,475,107	30,475,107
Contributed surplus		8,036,990	8,036,990
Accumulated deficit		(41,116,517)	(40,294,989)
Accumulated other comprehensive income		95,082	64,019
Total shareholders' equity (deficiency) attributable to CordovaCann Corp.		(2,509,338)	(1,718,873)
Non-controlling interests		790,310	691,651
Total equity		(1,719,028)	(1,027,222)
Total liabilities and shareholders' equity		10,145,263	10,263,706

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 21)

Related party transactions (Note 22)

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.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss For the Three and Six Months Ended December 31, 2023 and 2022 (Unaudited - Expressed in Canadian Dollars)

Note	Three Months Ended December 31, 2023 \$	Three Months Ended December 31, 2022 \$	Six Months Ended December 31, 2023 \$	Six Months Ended December 31, 2022 \$
Revenue	3,464,311	3,436,399	6,965,633	7,132,112
Cost of sales	(2,427,853)	(2,440,520)	(4,898,308)	(5,121,194)
Gross profit	1,036,458	995,879	2,067,325	2,010,918
Expenses				
Consulting fees	169,100	256,995	378,250	554,104
Professional fees	3,091	21,394	19,379	37,854
Shareholders information services	61,241	55,194	118,826	110,211
Salaries and wages	480,734	617,996	961,254	1,300,398
Office and general	167,614	300,768	324,158	506,344
Depreciation	9 80,206	59,588	160,757	119,054
Amortization of right-of-use assets	10 112,559	195,378	266,849	388,696
Amortization of licenses	12 41,146	41,145	82,292	82,291
Leases and utilities	69,750	80,243	159,186	211,570
	1,185,441	1,628,701	2,470,951	3,310,522
Loss before other income (expense)	(148,983)	(632,822)	(403,626)	(1,299,604)
Interest expense	13, 16, 18 (71,682)	(262,820)	(122,593)	(362,521)
Interest on lease liability	15 (85,037)	(126,196)	(171,935)	(254,515)
Accretion expense	16, 18 -	(5,764)	-	(14,239)
Foreign exchange gain (loss)	(16,390)	5,533	4,277	121,155
Other income	46,400	35,682	81,681	90,790
Loss before income tax recovery (expense)	(275,692)	(986,387)	(612,196)	(1,718,934)
Current	(48,105)	-	(96,705)	(5,720)
Deferred	2,520	3,780	6,300	7,560
Net loss	(321,277)	(982,607)	(702,601)	(1,717,094)
Net loss per share - basic and diluted	(0.00)	(0.01)	(0.01)	(0.02)
Weighted average number of outstanding common shares - basic and diluted	109,502,853	109,502,853	109,502,853	109,502,853
Net loss	(321,277)	(982,607)	(702,601)	(1,717,094)
Foreign exchange translation adjustment	35,197	56,276	31,063	(60,383)
Comprehensive loss	(286,080)	(926,331)	(671,538)	(1,777,477)
Net loss attributable to:				
CordovaCann Corp.	(413,419)	(985,287)	(821,528)	(1,742,116)
Non-controlling interests	92,142	2,680	118,927	25,022
Comprehensive loss attributable to:				
CordovaCann Corp.	(378,222)	(929,011)	(790,465)	(1,802,499)
Non-controlling interests	92,142	2,680	118,927	25,022

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

CordovaCann Corp.

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Portion of Convertible Debentures	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-controlling interests	Shareholders' Equity (Deficiency)
Note	#	\$	\$	\$	\$	\$	\$	\$
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	18	-	-	67,276	-	-	-	67,276
Foreign currency translation adjustment		-	-	-	-	(60,383)	-	(60,383)
Net loss for the period		-	-	-	(1,742,116)	-	25,022	(1,717,094)
Balance, December 31, 2022	109,502,853	30,475,107	8,036,990	756,921	(35,152,437)	9,690	749,915	4,876,186
Balance, June 30, 2023	109,502,853	30,475,107	8,036,990	-	(40,294,989)	64,019	691,651	(1,027,222)
Foreign currency translation adjustment		-	-	-	-	31,063	-	31,063
Dividends paid to non-controlling interests	5 (a)	-	-	-	-	-	(20,268)	(20,268)
Net loss for the period		-	-	-	(821,528)	-	118,927	(702,601)
Balance, December 31, 2023	109,502,853	30,475,107	8,036,990	-	(41,116,517)	95,082	790,310	(1,719,028)

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 Six Months Ended December 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	2023	2022
	\$	\$
Operating activities		
Net loss for the period	(702,601)	(1,717,094)
Adjusted for non-cash items:		
Income taxes	96,705	5,720
Depreciation	160,757	119,054
Amortization of right-of-use assets	266,849	388,696
Amortization of licenses	82,292	82,291
Interest expense	122,593	362,521
Interest on lease liability	171,935	254,515
Accretion expense	-	14,239
Foreign exchange gain	(4,277)	(121,155)
Deferred tax recovery	(6,300)	(7,560)
<i>Changes in non-cash working capital items:</i>		
Accounts receivable	(11,030)	(34,356)
Prepaid expenses and deposits	(22,342)	(9,582)
Inventory	(46,113)	(103,479)
Accounts payable and accrued liabilities	646,490	324,286
Harmonized sales tax payable	8,288	38,289
Income taxes payable	23,298	(35,996)
Cash provided by (used in) operating activities	786,544	(439,611)
Investing activities		
Additions to property and equipment	(37,559)	(296,649)
Advance to loan receivable	-	(142,020)
Cash used in investing activities	(37,559)	(438,669)
Financing activities		
Repayment of promissory notes	-	(135,440)
Proceeds from issuance of promissory notes	-	1,151,240
Payment of lease liabilities	(376,184)	(541,375)
Proceeds from other deposit	-	54,400
Payment of dividends to non-controlling interest shareholders	(20,268)	-
Cash provided by (used in) financing activities	(396,452)	528,825
Effect of exchange rate changes on cash	(129,369)	(156,901)
Net increase (decrease) in cash and cash equivalents	223,164	(506,356)
Cash and cash equivalents, beginning of period	419,821	1,748,476
Cash and cash equivalents, end of period	642,985	1,242,120
Cash and cash equivalents consist of:		
Cash	633,201	452,337
Restricted cash	9,784	789,783

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 Six Months Ended December 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 a Canadian-domiciled company focused on building a leading, diversified cannabis products business across multiple jurisdictions including Canada and the United States. CordovaCann primarily provides services and investment capital to the processing, production and retail vertical markets of the cannabis industry. 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 \$286,080 and \$671,538, respectively (December 31, 2022 – \$926,331 and \$1,777,477, respectively) during the three and six months ended December 31, 2023 and has a total accumulated deficit of \$41,116,517 (June 30, 2023 – \$40,294,989) as at December 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. This uncertainty may cast significant doubt about the ability of the Company to continue as a going 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 annual audited consolidated financial statements for the year ended June 30, 2023. 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 issuance by the Board of Directors on February 29, 2024.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended December 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 certain 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.

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

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.

(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
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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, 2023.

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 will make this assessment as required at the end of each reporting date.

Amendments to IAS 1: Covenants

The amendment clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendment applies retrospectively for annual periods beginning on or after January 1, 2024. Management will perform this assessment each reporting period as required and evaluate the potential impact of this standard on the Company's 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.

CordovaCann Corp.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

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.

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.

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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.

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Notes to the Condensed Interim Consolidated Financial Statements
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5. ACQUISITIONS

a) 2734158 Ontario Inc.

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 will 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, 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.

During the three and six months ended December 31, 2023, 273 Ontario paid dividends in the amount of \$51,247. Of the \$51,247 paid, \$20,268 was paid to the non-controlling interest shareholders of 273 Ontario.

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 9). During the six months ended December 31, 2023, withdrawals from the Escrow Account amounted to \$161,621 (US \$122,062) (June 30, 2023 – \$862,245 (US \$673,040)) which were related to the buildout of the Oregon property. The balance as at December 31, 2023 amounted to \$9,784 (US \$7,398) (June 30, 2023 – \$171,405 (US \$129,460)).

7. INVENTORY

The Company’s inventory includes purchased products. The Company’s purchased inventory during the three and six months ended December 31, 2023 amounted to \$2,427,853 and \$4,898,308, respectfully (December 31, 2022 – \$2,427,853 and \$2,680,674, respectfully). The Company’s inventory as at December 31, 2023 amounted to \$965,594 (June 30, 2023 – \$919,481).

CordovaCann Corp.

Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - Expressed in Canadian Dollars)

8. 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 \$460,626 (US \$338,000). 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.

During the year ended June 30, 2023, the Company received payments of \$53,059 (US \$40,000) (2022 - \$231,948 (US \$180,000)). The Company did not receive any payments during the three and six months ended December 31, 2023.

The outstanding balance of the Joint Forces Deposit amounted to \$52,904 as at December 31, 2023 (June 30, 2023 - \$52,960).

9. 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, 2022	403,226	1,045,735	1,950,551	318,457	151,979	411,492	4,281,440
Additions	-	7,773	749,917	-	-	4,247	761,937
Disposals	-	-	-	-	-	-	-
Translation adjustment	27,524	28,637	(102,061)	8,749	9,101	38,239	10,189
Impairment charge	-	-	(1,320,102)	-	(26,308)	(21,030)	(1,367,440)
As at June 30, 2023	430,750	1,082,145	1,278,305	327,206	134,772	432,948	3,686,126
Additions	-	-	37,559	-	-	-	37,559
Disposals	-	-	-	-	-	-	-
Translation adjustment	(455)	(1,144)	4,961	-	-	-	3,362
As at December 31, 2023	430,295	1,081,001	1,320,825	327,206	134,772	432,948	3,727,047
Accumulated depreciation							
As at June 30, 2022	-	(67,289)	(504,557)	(67,134)	(79,359)	(123,396)	(841,735)
Depreciation	-	(43,488)	(119,040)	(74,816)	(33,702)	(74,049)	(345,095)
Impairment charge	-	-	336,418	-	485	-	336,903
Translation adjustment	-	(1,337)	-	21,926	(3,260)	27,335	44,664
As at June 30, 2023	-	(112,114)	(287,179)	(120,024)	(115,836)	(170,110)	(805,263)
Depreciation	-	(21,939)	(59,520)	(37,743)	(4,440)	(37,115)	(160,757)
Impairment charge	-	-	-	-	-	-	-
Translation adjustment	-	(2,459)	-	(2,685)	-	-	(5,144)
As at December 31, 2023	-	(136,512)	(346,699)	(160,452)	(120,276)	(207,225)	(971,164)
Net book value (\$)							
At at June 30, 2022	403,226	978,446	1,445,994	251,323	72,620	288,096	3,439,705
As at June 30, 2023	430,750	970,031	991,126	207,182	18,936	262,838	2,880,863
As at December 31, 2023	430,295	944,489	974,126	166,754	14,496	225,723	2,755,883

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9. PROPERTY AND EQUIPMENT, NET (continued)

During the three and six months ended December 31, 2023, the Company incurred a depreciation expense in the amount of \$80,206 and \$160,757, respectively (December 31, 2022 – \$59,588 and \$119,054, respectively).

Impairment

During the year ended June 30, 2023, the Company incurred an impairment expense in the amount of \$1,030,537 in relation to its leasehold improvements, machinery and equipment, computer equipment, and furniture and fixtures in relation to the closure of its retail locations in Western Canada. There was no impairment charge during the three and six months ended December 31, 2023.

10. RIGHT-OF-USE ASSETS

	\$
Balance, June 30, 2022	4,451,385
Additions during the year	-
Depreciation for the year	(694,730)
Impairment	(1,416,691)
Foreign exchange translation	55,085
Balance, June 30, 2023	2,395,049
Additions during the period	-
Depreciation for the period	(266,849)
Foreign exchange translation	53,085
Balance, December 31, 2023	2,181,285

Leased properties are amortized over the terms of their respective leases.

During the year ended June 30, 2023, the Company closed its retail store locations in Western Canada and accordingly, existing long-term leases were terminated. The Company recorded impairment of \$1,416,691 for the terminated right-of-use assets along with a forgiveness of lease liability in the amount of \$1,598,497 (Note 15) and resulted a gain of \$181,806 from impairment of right-of-use assets and extinguishment of lease liabilities. The Company wrote off the related lease deposits at amount of \$129,680 as well and resulted a net gain of \$52,126 from termination of leases. No such transactions occurred during the three and six months ended December 31, 2023.

11. 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 – Starbuds trade name during the six months ended December 31, 2023 and 2022.

During the year ended June 30, 2023, impairment in the amount of \$2,145,628 was recorded in relation to the intangible asset – Starbuds trade name as a result of the closure of its retail store locations in Western Canada.

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12. LICENSES

	\$
Cost	
As at June 30, 2022	710,911
Additions (disposals)	-
As at June 30, 2023	710,911
Additions (disposals)	-
As at December 31, 2023	710,911
Accumulated amortization	
As at June 30, 2022	(305,831)
Amortization	(164,582)
As at June 30, 2023	(470,413)
Amortization	(82,292)
As at December 31, 2023	(552,705)
Net book value (\$)	
As at June 30, 2023	240,498
As at December 31, 2023	158,206

During the three and six months ended December 31, 2023, amortization expense in relation to these licenses amounted to \$41,146 and \$82,292, respectively (December 31, 2022 – \$41,145 and \$82,291, respectively).

13. MORTGAGE PAYABLE

Washington Mortgage

On February 26, 2021, the Company 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.

On November 1, 2022, the Company refinancing the existing Washing Mortgage for an aggregate amount of US \$725,000, less a US \$7,500 interest reserve amount (the “Washington Refinance”). As a result of financing and administrative costs incurred in relation to the Washington Refinancing, along with the payment of the previous outstanding Washington Mortgage, there were no additional cash proceeds received. The refinanced Washington Mortgage has a maturity date of five years from the date of refinancing and bears interest at 9.75% for the first two years, with interest escalators in subsequent years.

As at December 31, 2023, the amount outstanding under the Washington Mortgage amounted to \$926,567 (June 30, 2023 – \$942,903). During the six months ended December 31, 2023, the current portion of the Washington Mortgage amounted to \$33,006 (June 30, 2023 – \$31,475) and the long-term amounted to \$893,561 (June 30, 2023 – \$911,428). Total interest expense in relation to the Washington Mortgage amounted to \$23,390 and \$46,612, respectively, during the three and six months ended December 31, 2023 (December 31, 2022 – \$26,683 and \$115,020, respectively).

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14. 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 \$112,644 (June 30, 2023 – \$138,918) as at December 31, 2023. Details of the Company's contract liability is noted as follows:

	December 31, 2023	June 30, 2023
Opening balance	\$ 138,918	\$ 185,696
Additions	-	-
Changes in exchange rates	324	5,457
Revenue recognized from contract liability	(26,598)	(52,325)
Ending balance	\$ 112,644	\$ 138,918
Current portion	\$ 52,110	\$ 52,166
Long-term portion	60,534	86,752

15. LEASE LIABILITIES

The following table represents the lease obligations for the Company as at December 31, 2023:

	\$
Balance, June 30, 2022	4,913,979
Additions during the year	-
Interest expense	473,136
Lease payments	(1,023,517)
Extinguishment of the lease liability	(1,598,497)
Foreign exchange translation	59,392
Balance, June 30, 2023	2,824,493
Additions during the period	-
Interest expense	171,935
Lease payments	(376,184)
Foreign exchange translation	73,733
Balance, December 31, 2023	2,693,977

Allocated as:

	December 31, 2023	June 30, 2023
	\$	\$
Current	437,373	419,529
Long-term	2,256,604	2,404,964
Total	2,693,977	2,824,493

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15. LEASE LIABILITIES (continued)

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

	\$
Less than one year	750,895
One to five years	1,972,649
More than five years	1,283,670
Total undiscounted lease obligation	4,007,214

16. PROMISSORY NOTES PAYABLE

Promissory Note C – 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 December 31, 2023, the value of these promissory notes amounted to \$379,738 (June 30, 2023 – \$371,033). Interest and accretion in the amount of \$4,353 and \$8,705, respectively, and \$nil (December 31, 2022 – \$4,237 and \$8,682, respectively, and \$8,708 and \$17,183, respectively) was recorded during the three and six months ended December 31, 2023. These promissory notes post maturity and are in default.

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16. PROMISSORY NOTES PAYABLE (continued)

As at December 31, 2023, the Company had the following short-term promissory notes to certain arm's-length parties:

Demand Notes 2023

During the year ended June 30, 2023, the Company issued demand notes (the "2023 Demand Notes") in the aggregate amount of \$1,257,800 (US \$950,000) with fixed interest amounts and maturity dates between October 2022 to February 2023 \$198,600 (US \$150,000) of principal repayments and \$50,239 (US \$37,500) of interest repayments were made in cash during the year ended June 30, 2023.

The total interest and administrative fees charged in relation to the 2023 Demand Notes during the year ended June 30, 2023 amounted to \$190,907 (US \$142,500). There were no interest and administrative fees charged on the 2023 Demand Notes during the three and six months ended December 31, 2023.

As at December 31, 2023, the outstanding principal amount of the 2023 Demand Notes amounted to \$1,058,080 (US \$800,000) (June 30, 2023 – \$1,059,200 (US \$800,000)) and the outstanding accrued interest amounted to \$138,873 (US \$105,000) (June 30, 2023 – \$139,020 (US \$105,000)).

Included in the aggregate amount of 2023 Demand Notes issued during the year ended June 30, 2023 is the principal amount of \$132,260 (US \$100,000) and accrued interest of \$19,839 (US \$15,000) to the Chief Executive Officer and Chairman of the Company. These amounts have not been repaid to the respective related party and remain outstanding.

The 2023 Demand Notes have matured and are in default.

17. SHARE CAPITAL

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

During the six months ended December 31, 2023 and year ended June 30, 2023, the Company did not have any common share transactions.

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18. CONVERTIBLE DEBENTURES

a) Convertible Debentures Series A-4 – March 12, 2021

On March 12, 2021, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units (the “Debenture Units of Series A-4”) of the Company for gross proceeds of \$390,000.

Each Debenture Unit of Series A-4 consists of \$1,000 principal amount of unsecured subordinated convertible debentures (the “Debentures of Series A-4”) and 1,000 common share purchase warrants (the “Warrants of Series A-4”) of the Company. The Debentures of Series A-4 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 of Series A-4 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 \$0.50 per share. The Company also has 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, the Debentures of Series A-4 and accrued interest shall automatically convert into common shares of the Company at maturity. Each full Warrant of Series A-4 entitles the holder to purchase one common share of the Company until March 12, 2023 at an exercise price of \$0.75 per share.

The Debenture Units of Series A-4 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 the Debenture Units of Series A-4 are added to the equity portion of convertible debt as accrued.

On May 31, 2022, the Debenture Units of Series A-4 were converted into the Convertible Debentures Series A-5 offering. The principal amount of \$390,000, the accrued interest of \$58,500 were transferred to Convertible Debentures Series A-5. As a result of the transfer, a loss in the amount of \$99,635 was recorded.

b) Convertible Debentures Series A-5 – May 30, 2022

On May 31, 2022, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units (the “Debenture Units of Series A-5”) of the Company for gross proceeds of \$897,000 with annual interest rate of 15% and maturity on May 30, 2023.

Each Debenture Unit of Series A-5 consists of \$1,000 principal amount of unsecured subordinated convertible debentures (the “Debentures of Series A-5”) and 1,000 common share purchase warrants (the “Warrants of Series A-5”) of the Company. The Debentures of Series A-5 matured on May 30, 2023 and bear interest at a rate of 15% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the Debentures of Series A-5 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.

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18. CONVERTIBLE DEBENTURES (continued)

The Company had the option to force conversion of the Debentures of Series A-5 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, the Debentures of Series A-5 and accrued interest shall automatically convert into common shares of the Company at maturity. Each full Warrant of Series A-5 entitles the holder to purchase one common share of the Company until May 30, 2024 at an exercise price of \$1.25 per share.

Prior to closing of the Offering, the Company exercised its rights of repayment in respect of the Convertible Debentures of Series A-4 of the Company issued on March 12, 2021 and, in connection with its election for early repayment, holders of the Convertible Debentures of Series A-4 directed the Company to retain the funds representing repayment and to apply such funds towards satisfaction of the purchase price for the respective Debenture of Series A-5. The Company issued an aggregate of \$488,500 worth of Debenture Units to the subscribers of the Debentures of Series A-4. 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.

At initial recognition, the Debenture Units of Series A-5 were determined to be an equity instrument due to 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 the Debenture Units of Series A-5 are added to the equity portion of convertible debt as accrued.

On the maturity date of May 30, 2023, the Company did not elect to convert the Debenture Units of Series A-5. As a result of the non-exercise of the conversion option, the Company's Debenture Units of Series A-5 no longer met the criteria of an equity instrument, as it could no longer avoid the contractual obligation to pay cash related to the principal and interest. Accordingly, the Company reclassified the equity portion of convertible debenture to a convertible debenture liability at its face value of \$897,000. As a result of the reclassification, the Company recorded a loss in the amount of \$218,567 during the year ended June 30, 2023. The loss arises from the difference between the face value of convertible debentures and the amount reclassified from equity to the convertible debenture liability on the maturity date.

During the three and six months ended December 31, 2023, interest in the amount of \$33,638 and \$67,275 (December 31, 2022 – \$33,638 and \$67,276 respectively) was recorded in relation to the outstanding convertible debentures. As at December 31, 2023, the outstanding principal amount of the convertible debentures amounted to \$897,000 (June 30, 2023 – \$897,000) and the outstanding accrued interest amounted to \$213,038 (June 30, 2023 – \$145,763).

19. 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.

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19. OPTIONS (continued)

As at December 31, 2023 and June 30, 2023, there were no stock options issued and outstanding. During the year ended June 30, 2023, 5,100,000 stock options expired, unexercised.

During the six months ended December 31, 2023 and 2022, the Company expensed \$nil of the fair value of the stock options.

20. WARRANTS

	<u>Warrants Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Life Remaining (years)</u>
June 30, 2022	21,677,379	0.65	1.00
Issued	-	-	-
Exercised	-	-	-
Expired	(11,580,000)	0.40	-
June 30, 2023	10,097,379	0.65	0.58
Issued	-	-	-
Exercised	-	-	-
Expired	(3,379,379)	0.45	-
December 31, 2023	6,718,000	1.25	0.30

During the six months ended December 31, 2023, 3,379,379 common share purchase warrants expired, unexercised. During the year ended June 30, 2023, 11,580,000 common share purchase warrants expired, unexercised. There were no common share purchase warrants issued during the six months ended December 31, 2023 and year ended June 30, 2023.

21. COMMITMENTS AND CONTINGENCIES

(a) Employment Agreements

The Company is party to certain employment 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.

(b) Contingencies

During the six month ended December 31, 2023, the Company was identified as a defendant along with three other defendants (the "Other Defendants") to a complaint in the Orange County Superior Court of California and for the State of California (the "Complaint"). The Complaint contains five causes of actions by the plaintiff (the "Plaintiff"), but only one of those causes of action, for injunctive relief, is asserted against the Company. The Complaint involves claims by the Plaintiff that at the request of the Other Defendants, the Plaintiff guaranteed a loan to acquire lab equipment for the benefit of the Other Defendants in the amount of \$251,793. The Complaint claims that the Other Defendants failed to pay off the subject loan and converted the equipment, depriving the Plaintiff of the ability to foreclose and receive repayment. The cause of action for injunctive relief against the Company (as well as the Other Defendants) requests that the court issue an order setting forth title and control to the equipment. The Company currently leases this equipment from the Other Defendants.

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21. COMMITMENTS AND CONTINGENCIES (continued)

The Company has not been served the Complaint and there is no claim for damages against the Company presently in the Complaint. The Company intends on defending this Complaint to the extent that a liability is imposed on the Company for the replacement of the equipment or for the monetary damages imposed on the Other Defendants. As at the date of these condensed interim consolidated financial statements, it is premature, and not practical, to determine whether or not there will be any outflow and, if so, the amount of that outflow. Accordingly, no provisions have been made on the Company's condensed interim consolidated financial statements of position with respect to the Complaint.

22. RELATED PARTY TRANSACTIONS

Related party transactions as at and for the three and six months ended December 31, 2023 and 2022 and the balances as at those dates, not disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

- a) During the three and six months ended December 31, 2023, the Company expensed \$184,000 and \$365,550, respectively (December 31, 2022 – \$165,000 and \$330,000, respectively), in fees payable to officers and directors of the Company and its subsidiaries, and in fees payable to a corporation related by virtue of a common officer and director; and
- b) As at December 31, 2023, the Company had fees payable to officers and directors of the Company of \$2,817,512 (June 30, 2023 – \$2,467,695).

23. 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 December 31, 2023:

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23. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

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 condensed interim 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.

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 December 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 December 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.

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(Unaudited - Expressed in Canadian Dollars)

24. CAPITAL MANAGEMENT

The Company's definition of capital includes all components of shareholders' equity (deficiency) excluding non-controlling interest. As at December 31, 2023, the Company's shareholders' deficiency amounted to \$2,509,338 (June 30, 2023 – \$1,718,873). 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, and 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.

25. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the condensed interim consolidated financial statement presentation adopted for the current period. Such reclassifications did not have an impact on previously reported net and comprehensive loss.