

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For fiscal year ended January 31, 2024
- OR**
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____
- OR**
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report:

Commission file number 000-55982

C21 Investments Inc.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

**19th Floor, 885 West Georgia Street
Vancouver, British Columbia V6E 3H4
Canada**

(Address of principal executive offices)

Michael Kidd

C21 Investments Inc.

**19th Floor, 885 West Georgia Street
Vancouver, British Columbia V6E 3H4
Canada**

Tel: 833-289-2994

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act: **Not applicable.**

Securities registered pursuant to Section 12(g) of the Act: **Common shares, no par value**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **As at January 31, 2024, 120,047,814 common shares of the Registrant were issued and outstanding.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. []

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). []

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other
by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION

In this annual report on Form 20-F, which we refer to as the "Annual Report", except as otherwise indicated or as the context otherwise requires, the "Company", "we", "our" or "us" or "C21" refers to C21 Investments Inc. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the United States Securities and Exchange Act of 1934, as amended (the "**Exchange Act**") and Rule 405 under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 thereunder.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on January 31, 2024 based upon the daily exchange rate as quoted by the Bank of Canada was U.S.\$1.00 = Cdn.\$1.3522.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States ("U.S.") securities laws (collectively, "forward-looking statements"). All forward-looking statements, other than statements of historical facts, included in this Annual Report that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking statements. Forward-looking statements includes, among other things, information regarding: statements relating to the business and future activities of, and developments related to, the Company, including information concerning the completion and timing of the completion of contemplated acquisitions or dispositions, expectations whether such proposed transactions will be consummated on the current terms or otherwise and contemplated timing, expectations and effects of such proposed transactions, including the potential number and location of cultivation and production facilities and dispensaries or licenses therefor to be acquired or sold and markets to be entered into or exited by the Company as a result of completing such proposed transactions, the ability of the Company to successfully achieve its business objectives as a result of completing such proposed acquisitions or dispositions, estimates of future cultivation, manufacturing and extraction capacity, expectations as to the development and distribution of the Company's brands and products, the expansion into additional U.S. and international markets, any potential future legalization of adult-use and/or medical cannabis under U.S. federal law, expectations of market size and growth in the United States and the states in which the Company operates or contemplates future operations and the effect such growth will have on the Company's financial performance, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally, and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking statements are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements is not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: the contemplated acquisitions and dispositions being completed on the current terms and current contemplated timeline; development costs remaining consistent with budgets; ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; favorable production levels and costs related to the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third party service providers and other inputs for the Company's operations; the Company's ability to conduct operations in a safe, efficient and effective manner; the ability of the Company to restructure and service its secured debt; the availability of securitized debt financing on terms acceptable to the Company, or at all. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements include, among others, risks relating to U.S. regulatory landscape and enforcement related to cannabis, including governmental and environmental regulation, public opinion and perception of the cannabis industry, risks related to the ability to consummate any proposed acquisitions or dispositions on the proposed terms and the ability to obtain requisite regulatory approvals and third party consents and the satisfaction of other conditions, risks related to reliance on third party service providers, the limited operating history of the Company, risks inherent in an agricultural business, risks related to proprietary intellectual property, risks relating to financing activities, risks relating to the management of growth, increasing competition in the cannabis industry, risks associated to cannabis products manufactured for human consumption including health risks, potential product recalls, reliance on key inputs, reliance on a healthy global supply chain, suppliers and skilled labor (the availability and retention of which is subject to uncertainty), cyber-security risks, ability and constraints on marketing products, fraudulent activity by employees, contractors and consultants, risk of litigation and conflicts of interest, and the difficulty of enforcement of judgments and effecting service outside of Canada, risks related to future acquisitions or dispositions, limited research and data relating to cannabis, as well as those risk factors discussed elsewhere herein, including under "**Risk Factors**".

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company may elect to update such forward-looking statements at a future time, it assumes no obligation for doing so except to the extent required by applicable law.

The forward-looking statements or information contained in this Annual Report are made as of the date of this filing.

PART I.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. [Reserved]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

The following are certain factors relating to the business and securities of the Company. The Company will face a number of challenges and significant risks in the development of its business due to the nature of and present stage of its business. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also impair the operations of or materially adversely affect the securities of the Company. If any such risks occur, the Company's shareholders could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could be materially adversely affected. Some of the risk factors described herein are interrelated and, consequently, readers should treat such risk factors as a whole.

The acquisition of any of the securities of the Company is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are enough to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of a person's investment portfolio and should only be made by persons who can afford a total loss of their investment.

Risks Related to the Cannabis Industry

While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs and reputational harm.

Eighty (80%) of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult- use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. Controlled Substances Act of 1970 ("CSA"), and as such, activities within the cannabis industry are illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

Individual U.S. state laws do not always conform to U.S. federal regulatory standards, or to other U.S. state laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalized and/or created medical marijuana exemptions. Several states have also legalized the recreational use of cannabis. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. For example, Oregon and Colorado have limits on the number of marijuana plants that can be home grown. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of a medical marijuana license or that person's caregiver. Even in those states in which the use and commercialization of marijuana has been legalized, its use remains a violation of U.S. federal law.

The Company is currently aware of 40 states of the United States, the District of Columbia, and four out of five U.S. territories, that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation. Additionally, the sale and adult-use of recreational cannabis is legal in 17 U.S. states and the District of Columbia, including: Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, New Mexico, New York, Oregon, Vermont, Virginia and Washington. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law.

Although the Company's activities are in compliance with applicable state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

The Company could face a number of operational risks and may not be adequately insured for such risks.

The Company will be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, impact of non-compliance with laws or regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition.

Proceeds from the Company's financings could be considered proceeds of crime which may restrict the Company's ability to pay dividends or effect other distributions to its shareholders.

Currently, the Company engages in the manufacture, distribution, possession and sale of cannabis in the U.S. medical and recreational cannabis markets, and therefore the enforcement of U.S. federal laws is a significant risk to the Company. Unless and until the U.S. Congress amends the CSA (or the Drug Enforcement Agency ("DEA") reschedules or de-schedules cannabis), there is a risk that U.S. federal authorities, including the United States Attorney's Office for the District of Nevada, may enforce current federal law, and the Company may be deemed to be possessing, manufacturing, and trafficking marijuana in violation of U.S. federal law. Such activities also may serve as the basis for the prosecution of other crimes, such as those prohibited by the money laundering statutes, the unlicensed money transmitter statute, and the U.S. Currency and Foreign Transactions Reporting Act of 1970 ("**Bank Secrecy Act**"). Additionally, the Company may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law with respect to the Company's current or proposed business operations. As to the timing or scope of any such potential amendments to the CSA, there can be no assurances to when or if any potential amendments will be enacted. Active enforcement of the current federal statutory laws and regulatory rules regarding cannabis may thus directly and/or indirectly and adversely affect the Company's future operations, cash flows, earnings, and financial condition.

The Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, as affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life.

Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Company in the highly regulated, highly competitive and rapidly evolving U.S. cannabis industry.

As a result of the conflicting views between individual state governments and the U.S. federal government regarding cannabis, investments in U.S. cannabis businesses are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then U.S. Deputy Attorney General, James Cole, authorized the Cole Memo (as defined herein) addressed to all United States Attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memo outlined certain priorities for the U.S. Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form, and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, that conduct in compliance with those laws and regulations is less likely to be a priority at the federal level.

On January 4, 2018, Jeff Sessions, the U.S. Attorney General at the time, issued the Sessions Memo (as defined herein) to all United States Attorneys, which rescinded the Cole Memo in its entirety. The Sessions Memo provided that in deciding which marijuana activities to prosecute under U.S. federal laws, prosecutors should follow the same well-established principles that govern all U.S. federal prosecutions. Following the release of the Sessions Memo, the fate of state-legal cannabis is uncertain, and the risk of prosecution varies from state to state based on the posture, priorities and resources of each United States Attorney's Office for each applicable state.

Although the Cole Memo was rescinded, one legislative safeguard for the medical cannabis industry, appended to federal appropriations legislation, remains in place. Currently referred to as the "Rohrabacher-Blumenauer Amendment", this so-called "rider" provision has been appended to the Consolidated Appropriations Acts every year since fiscal year 2015. Under the terms of the Rohrabacher-Blumenauer rider, the federal government is prohibited from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. On December 20, 2019, then President Donald Trump signed the Consolidated Appropriations Act, 2020 which included the Rohrabacher-Blumenauer Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. On December 27, 2020, the omnibus spending bill passed including the Rohrabacher-Blumenauer Amendment, extending its application until September 30, 2021. The Amendment was then renewed through a series of stopgap spending bills on September 30, 2021, December 3, 2021, February 18, 2022, and March 11, 2022. On March 15, 2022, the Amendment was renewed through the signing of the fiscal year 2022 omnibus spending bill, extending previous funding levels and riders, including the Rohrabacher-Blumenauer Amendment. There can be no assurances that the Rohrabacher-Blumenauer Amendment will be included in future appropriations bills to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law.

On March 11, 2021, Merrick Garland was sworn in as the U.S. Attorney General. During his campaign, President Biden stated a policy goal to decriminalize possession of cannabis at the federal level, but he has not publicly supported the full legalization of cannabis. In response to questions posed by Senator Cory Booker, Merrick Garland stated during a February 2021 congressional testimony that he would reinstitute a version of the Cole Memo. He reiterated the statement that the Justice Department under his leadership would not pursue cases against Americans "complying with the laws in states that have legalized and are effectively regulating marijuana", in written responses to the Senate Judiciary Committee provided around March 1. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland, will re-adopt the Cole Memo or announce a substantive marijuana enforcement policy. Justice Garland indicated at a confirmation hearing before the United States Senate that it did not seem to him to be a useful use of limited resources to pursue prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. It is unclear what impact, if any, the current administration will have on U.S. federal government enforcement policy on cannabis.

In October 2021, in a letter from U.S. Senators Corey Booker and Elizabeth Warren to Attorney General Garland, the Senators advocated the federal decriminalization of cannabis by removing cannabis from the CSA's list of controlled substances. To date, Attorney General Garland and the Department of Justice have not publicly responded to the Senators' letter. Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Given the conflict of laws and regulations, there is no certainty as to how the U.S. Department of Justice ("**DOJ**"), Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurance that the Biden Administration would not change the current enforcement policies, priorities and resources and choose to enforce the subject federal laws. The Company regularly monitors ongoing developments in this regard.

Violations of any laws and regulations could result in significant fines, penalties, administrative sanctions, forfeiture, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its title (directly or indirectly) to cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, its operating results, and profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or the final resolution of such matters because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested and degree of enforcement by the applicable authorities involved, and such time or resources could be substantial.

As a company listed on the Canadian Securities Exchange (the "**CSE**"), the Company accesses the Canadian capital markets on a public and private basis, and any capital raised may be utilized for the ongoing operations of its U.S. holdings that operate in the U.S. cannabis industry. There is no assurance that the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from residents, citizens, venture capital, private equity and banks in the United States may be limited due to their unwillingness to be associated with activities that violate U.S. federal laws. Notwithstanding the above, the SAFE Banking Act (as defined herein) would be a positive development for the industry and access to more affordable banking and lending.

Changes to current laws and regulation may impose substantial costs on the Company.

Local, state and federal cannabis laws and regulations in the United States are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of the Company's planned operations. Furthermore, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's cannabis business. The Company cannot predict the nature of any future laws, rules, regulations, resolutions, declarations, policy positions, interpretations or applications, nor can it determine what affect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Beginning in September 2019, the United States media began reporting on potential vape related illnesses and death based on conditions resembling pneumonia, that consumers of flavored nicotine and flavored THC vaping products were experiencing. Vaping product sales are a material source of revenue for the Company. Although there has been no conclusive medical or scientific determination as to the cause of the subject conditions, management believes that the Company's products do not contain any of the components or chemicals, including but not limited to vitamin E acetate, which were implicated as possible sources of the condition, and which were identified by the CDC based on laboratory findings released on November 8, 2019. Out of an abundance of caution, governors of certain US states took precautionary, short-term actions until a more conclusive link between vaping products and the condition is determined; as mentioned in previous reports, Oregon was one of those states until the State was forced to lift its ban by court order on January 16, 2020.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants, including the Company.

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks. The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business.

Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements could also occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings on investments and could make future capital investments or the Company's operations uneconomic.

The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants in the industry, such as the Company, which cannot be readily predicted.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, U.S. Securities and Exchange Commission (the "SEC"), the DOJ, the Financial Industry Regulatory Authority or other federal, applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

The Company's operations in the U.S. are subject to applicable anti-money laundering laws and regulations.

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial record keeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on C21's common shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company's operations and any proceeds thereof may be considered proceeds of crime since cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time in response to factors outside of the Company's control.

The Company may have difficulty accessing the services of banks and processing credit card payments in the future, which may make it difficult to operate. To mitigate this risk, the Company has maintained banking relations with three private credit unions in states where cannabis has been legalized at the state level, including Partners Colorado Credit Union (Colorado), Salal (Washington State) and Greater Nevada Credit Union (Nevada). Through these private credit unions, the Company is able to access bank services to support its Nevada cannabis operations.

Losing access to traditional banking, or bank-specific liquidity risks, could have a significant effect on our ability to operate, conclude financings and achieve returns.

Since the use of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. The inability to open or maintain traditional bank accounts may make it difficult to operate the Company's cannabis business. To mitigate this risk, the Company has maintained banking relations with three private credit unions in states where cannabis has been legalized at the state level, including Partners Colorado Credit Union (Colorado), Salal (Washington State) and Greater Nevada Credit Union (Nevada). Through these private credit union banks, the Company can access comprehensive banking services including cash management checking accounts, ACH transfer processing, cash pick-up and delivery services, debit card and credit card processing, online banking, and processing of bank wires and transfers.

The recent closures of Silicon Valley Bank, Signature Bank and First Republic Bank and their placement into receivership with the Federal Deposit Insurance Corporation ("FDIC") have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds, even deposit amounts that exceed FDIC deposit insurance limits, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages.

The February 2014 U.S. Department of the Treasury Financial Crimes Enforcement Network ("FinCEN") Guidance (as defined herein), sets forth certain circumstances whereby it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. However, as discussed above, most banks and other financial institutions do not feel comfortable providing banking services to cannabis-related businesses, or relying on the FinCEN Guidance which could be revoked at any time by the Biden Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses.

Accordingly, the Company may have limited or no access to banking or other financial services in the U.S. in the future and may have to operate the Company's U.S. business on a cash-only basis. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. While the United States House of Representatives has passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently. The prospects of the SAFE Banking Act, or some permutation thereof, becoming law is uncertain as of the date of this Annual Report.

The Company's operations in the United States may be subject to heightened scrutiny.

The Company's existing operations in the United States cannabis market, and any future interests, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies or other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Given the heightened risk profile associated with cannabis in the United States, it was previously reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017, reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the "**TMX MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (the "**TSXV**"). The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States.

The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, the common shares would become highly illiquid and until an alternative was implemented investors would have no ability to affect a trade of common shares through the facilities of a stock exchange.

Unfavorable publicity or consumer perception of cannabis may have an adverse effect on the demand for our products.

The Company believes the adult-use and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of adult-use and medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports, findings or other media attention will not arise.

Public opinion may result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States, or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any limits on future expansion may have a material adverse effect on the Company's business, financial condition, and results of operations.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's current and proposed brands and products will remain or be approved for sale and distribution in any state.

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance notice of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company will continue to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such future products will be approved to the extent necessary. For the products that are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise.

The business premises of the Company are a target for theft, which may have an adverse impact on its financial condition and results of operations.

The business premises of the Company are a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing, distribution and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers, cannabis products, cultivation and processing equipment, and cash could have a material adverse impact on the business, financials condition, results of operation and property of the Company.

The Company has historically relied on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely on the capital markets to finance its business.

Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. state-legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

As consumer perceptions of cannabis evolve, the Company may face unfavorable publicity or consumer perception.

The state-legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the nature of legalization (for example, support for legalization of medical versus recreational cannabis). The Company's ability to maintain and increase market acceptance of its company and products may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Product liability claims or regulatory actions against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business.

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. This is particularly true in light of the United States media news, beginning in September 2019, regarding potential vaporizer (vape) related illnesses and deaths. The Company closely monitors the news reports on this topic, including results from the investigations being conducted by the CDC, and put out a statement over its social media feed on September 11, 2019 confirming its commitment to consumer safety, discussing the rigorous quality control and testing of its products, and explaining that none of its vape products are manufactured with vitamin E acetate, or any other additives, thickeners or agents. The Company further disclosed its complete ingredient list for all of its vape products. In addition, the manufacture and sale of marijuana involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of marijuana alone or in combination with other medications or substances could occur. As a manufacturer, distributor and retailer of adult-use and medical marijuana, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical marijuana, the Company may be subject to various product liability claims, including, among others, that the marijuana product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.

Due to the early stage of the state-legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs which relies on a health supply chain.

Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a single source supplier were to go out of business, an operator might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an operator, and consequently, the Company. Given the recent, systemic issues with the global supply chain, there is an increased risk of interruption or negative change in the availability of key inputs the Company relies upon which could materially adversely impact the Company in the current supply chain environment and into the foreseeable future.

Operational and General Business Risks

The Company may pursue strategic acquisitions in the future, which may be unsuccessful or result in other costs to the Company.

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose the Company to potential risks, including risks associated with (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisition; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new business. In addition, any proposed acquisitions may be subject to regulatory approval.

While the Company intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such entities or assets for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration-related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Company's revenue per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of C21's common shares.

The Company may face litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company. Litigation, complaints and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Should any litigation in which the Company is or becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for its common shares. Even if the Company wins current or future litigation, such litigation can redirect significant resources.

The Company has identified material weaknesses in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting or effective disclosure controls, we may be at risk to accurately report financial results or detect fraud, which could have a material adverse effect on our business.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring an annual assessment by management of the effectiveness of a public company's internal controls over financial reporting and an attestation report by the Company's independent auditors addressing this assessment, if applicable. As discussed in Item 15 "Controls and Procedures" based on a review of our internal controls over financial reporting, management concluded that our internal controls over financial reporting was not effective due to the existence of material weaknesses related to inadequate segregation of duties in certain financial reporting processes, lack of evidence and review of certain internal controls processes, and partly due to the Company's small size insufficient personnel with an appropriate level of technical accounting knowledge and experience relative to the Company's complexity and financial accounting and reporting requirements resulting in certain errors within the Company's consolidated financial statements in accordance with US GAAP. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls. Management intends on expanding the scope of services with the Company's independent outside accounting consultants in order to remediate this weakness, among other measures. For additional information, see Item 15 "Controls and Procedures."

We cannot assure you that we will be able to remediate our existing material weaknesses in a timely manner, if at all, or that in the future additional material weaknesses will not exist, reoccur or otherwise be discovered, a risk that is significantly increased in light of the complexity of our business. If our efforts to remediate this material weakness, as described in Item 15 "Controls and Procedures", is not successful or if other deficiencies occur, our ability to accurately and timely report our financial position, results of operations, cash flows or key operating metrics could be impaired, which could result in late filings of our annual or interim reports under the Exchange Act, restatements of our consolidated financial statements or other corrective disclosures. Our failure to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm our business and negatively impact the trading price of the common shares. In addition, future changes in our accounting, financial reporting, and regulatory environment may create new areas of risk exposure. Failure to modify our existing control environment accordingly may impair our controls over financial reporting and cause our investors to lose confidence in the reliability of our financial reporting, which may adversely affect our share price, suspension of trading or removal of our common shares from the OTCQX International Market, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity. Furthermore, if we continue to have this existing material weakness, other material weaknesses or significant deficiencies in the future, it could create a perception that our financial results do not fairly state our financial condition or results of operations. Any of the foregoing could have an adverse effect on the value of our shares.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates, which may adversely affect the Company's operations.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The Company is dependent on governmental approvals, licenses and permits to operate, and failure to obtain or maintain such approvals, licenses and permits may adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations or future operations. To the extent such approvals are required and not obtained or maintained, the Company may be curtailed or prohibited from its current or proposed production, manufacturing, processing, distribution or sale of cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production or manufacturing of cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production or manufacturing costs or reduction in levels of production or manufacturing or require abandonment or delays in development.

Further, the Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its marijuana business. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the marijuana industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate the marijuana business, which could have a material adverse effect on the Company's business. Further, should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms or decide to grant more than the anticipated number of licenses, the business, financial condition and results of operations of the Company could be materially adversely affected.

The Company's limited operating history makes evaluating its business and prospects difficult.

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. The Company has had limited experience in addressing the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving industries such as the cannabis industry. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company is dependent upon existing management, its key research and development personnel and its growing and extraction personnel, and its business may be severely disrupted if it loses their service.

The Company's future success depends substantially on the continued services of its executive officers, its key research and development personnel and its key growing and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away.

The Company will need to hire additional personnel in order to grow its business.

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs.

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to its intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

The Company may need to incur significant expenses to enforce its proprietary rights, and if the Company is unable to protect such rights, its competitive position could be harmed.

The Company regards proprietary methods and processes, domain names, trade names, trade secrets, recipes and other intellectual property as critical to its success. The Company's ability to protect its proprietary rights is critical for the success of its business and its overall financial performance. The Company has taken certain measures to protect its intellectual property rights. However, the Company cannot assure that such measures will be sufficient to protect its proprietary information and intellectual property. Policing unauthorized use of proprietary information and intellectual property is difficult and expensive. Any steps the Company has taken to prevent misappropriation of its proprietary technology may be inadequate. The validity, enforceability and scope of protection of intellectual property in the marijuana industry is uncertain and still evolving. In particular, the laws and enforcement procedures in some developing countries are uncertain and may not protect intellectual property rights in this area to the same extent as do the laws and enforcement procedures in Canada, the United States and other developed countries.

The Company may face increased competition in the marketplace for cannabis.

There can be no assurance that significant competition will not enter the marketplace and offer some number of similar products and services or take a similar approach. An increase in the number of companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Such competition could have a material adverse effect on the growth potential of the Company's business by effectively dividing the existing market for its products. In addition, despite Canadian federal and U.S. state-level legislation of marijuana, illicit or "black market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business and, accordingly, may have significantly lower costs of operations.

There is no assurance of the Company's profitability.

The Company cannot give assurances that it will not incur losses in the future. The limited operating history makes it difficult to predict future operating results. The Company is subject to the risks inherent in the operation of a new business enterprise in an emerging and uncertain business sector, and there can be no assurance that the Company will be able to successfully address these risks.

The success of the Company will be dependent on its ability to manage growth.

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

The Company's operations are impacted by general economic trends.

Any worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in the United States and elsewhere could adversely affect the Company's business, financial condition, results of operations and property.

The Company faces significant costs in order to gain and increase market acceptance of its products.

The Company's ability to gain and increase market acceptance of its products depends on its ability to educate the public on the benefits of its marijuana products. It also requires the Company to establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful, and their failure may have an adverse effect on the Company's operations.

The Company may not have adequate insurance coverage, which may adversely impact the Company's business, results of operations and profitability.

The Company requires insurance coverage for a number of risks, including business interruption, environmental matters and contamination, product liability, personal injury and property damage. Although the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, considering the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected. Further, because the Company is engaged in the cannabis industry, there may be additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely impact the Company's business, results of operations and profitability.

The Company faces risks related to tax credits and deductions.

The provisions of the Section 280E of the U.S. Internal Revenue Code of 1986, as amended (the "Code") are being applied by the United States Internal Revenue Service ("IRS") to businesses operating in the U.S. medical and adult-use marijuana industry. Section 280E of the Code provides that no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

Even though several states have medical and adult-use marijuana laws, the IRS is applying Section 280E of the Code to deny business deductions. Businesses operating legally under state law argue that Section 280E of the Code should not be applied because Congress did not intend the law to apply to businesses that are legal under state law. The IRS asserts that it was the intent of Congress to apply the provision to anyone "trafficking" in a controlled substance, as defined under Federal law (as stated in the text of the statute). Section 280E of the Code is at the center of the conflict between Federal and state laws with respect to medical and retail marijuana which applies to the business conducted by the Company. Section 280E of the Code may adversely impact the Company and cause it to be subject to higher effective U.S. federal income tax rates than similar companies in other industries.

Proposed legislation in the U.S. Congress, including changes in U.S. tax law, and the Inflation Reduction Act of 2022 may adversely impact the Company and the value of the Common Shares.

Changes to U.S. tax laws (which changes may have retroactive application) could adversely affect the Company or holders of the common shares. In recent years, many changes to U.S. federal income tax laws have been proposed and made, and additional changes to U.S. federal income tax laws are likely to continue to occur in the future.

The U.S. Congress is currently considering numerous items of legislation which may be enacted prospectively or with retroactive effect, which legislation could adversely impact the Company's financial performance and the value of the common shares. Additionally, states in which the Company operates or owns assets may impose new or increased taxes. If enacted, most of the proposals would be effective for the current or later years. The proposed legislation remains subject to change, and its impact on the Company and purchasers of the common shares is uncertain.

In addition, the Inflation Reduction Act of 2022 includes provisions that will impact the U.S. federal income taxation of corporations. Among other items, this legislation includes provisions that will impose a minimum tax on the book income of certain large corporations and an excise tax on certain corporate stock repurchases that would be imposed on the corporation repurchasing such stock. It is unclear how this legislation will be implemented by the U.S. Department of the Treasury and the Company cannot predict how this legislation or any future changes in tax laws might affect the Company or purchasers of the common shares.

Results of future clinical research may negatively impact demand for the Company's products.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies to date support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles, reports and studies. Future research studies and clinical trials may draw opposing conclusions to those stated herein or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company faces risks inherent in an agricultural business, including adverse weather conditions and rising energy costs.

Adult-use and medical marijuana are agricultural products. There are risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the products are usually grown indoors under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the production of the Company's products. The occurrence of severe adverse weather conditions, especially droughts, fires, storms or floods is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce the Company's yields or require the Company to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts might reduce the yield and quality of the Company's cannabis production, which could materially and adversely affect the Company's business, financial condition and results of operations.

Adult-use and medical marijuana growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, results of operations, financial condition or prospects of the Company.

The Company relies on third-party contractors to maintain its information technology systems.

We rely on information technology ("IT") systems and networks in our operations which are provided and maintained by third-party contractors. The availability, capacity, reliability and security of these IT systems could be subject to network disruptions caused by a variety of malicious sources, including computer viruses, security breaches, cyber-attacks and theft, as well as network and/or hardware disruptions resulting from unexpected failures such as human error, software or hardware defects, natural disasters, fire, flood or power loss. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures.

The ability of the IT function to support our business in the event of any such failure and the ability to recover key systems from unexpected interruptions cannot be fully tested. There is a risk that if such an event were to occur, our response may not be adequate to immediately address all of the potential repercussions of the incident. In the event of a disaster affecting our head office, key systems may be unavailable for a number of days, leading to inability to perform some business processes in a timely manner. The failure of our IT systems or a component thereof could, depending on their nature, materially impact our financial condition, results of operations, reputation and share price.

Unauthorized access to our IT systems as a result of cyber-attacks could lead to exposure, corruption or loss of confidential information, and disruption to our communications, operations, business activities or our competitive position. Further, disruption of critical IT services, or breaches of information security, could expose us to financial losses and regulatory or legal action. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber- security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority.

We apply technical and process controls in line with industry-accepted standards to protect information, assets and systems. Although these measures are robust, they cannot possibly prevent all types of cyber-threat. There is no assurance that we will not suffer losses associated with cyber-security breaches in the future, and we may be required to expend significant additional resources to investigate, mitigate and remediate any potential vulnerabilities. As cyber-threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to

The Company is a British Columbia corporation governed by the Business Corporations Act (British Columbia) ("BCBCA") and, as such, our corporate structure, the rights and obligations of shareholders and our corporate bodies may be different from the United States or those of the home countries of international investors.

Substantially all of the Company's assets are located outside of Canada, and certain of its directors are resident outside of Canada, and their assets are outside of Canada. Serving process on those directors may prove to be difficult or excessively time consuming. Non-Canadian residents may find it more difficult and costlier to exercise shareholder rights. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Company, its subsidiaries and any directors and officers residing outside of Canada.

The success of the Company may depend, in part, on the ability of an operator to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it.

Each operator may also be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the operator. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

The Company may experience difficulty implementing its business strategy.

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Conflicts of interest involving the Company's directors and officers may arise and may be resolved in a manner that is unfavorable to the Company.

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers of the Company are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict-of-interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Prolonged periods of inflation could increase costs, have an adverse effect on general economic conditions and impact consumer spending, which could impact our profitability and have a material adverse effect on our business and results of operations.

Inflation has risen on a global basis and countries around the world are experiencing historically high levels of inflation. If the inflation rate continues to increase, it can also push up the costs of labor and other expenses. There is no assurance that our revenues will increase at the same rate to maintain the same level of profitability. Inflation and government efforts to combat inflation, such as raising the benchmark interest rate, could increase market volatility and have an adverse effect on the financial market and general economic conditions. Such adverse conditions could negatively impact demand for our products, which could adversely affect our profitability, results of operations and cash flow.

Currency fluctuations may have a material adverse effect on the Company's business, financial condition and operating results.

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. All or substantially all of the Company's revenue will be earned in U.S. dollars, but operating expenses are incurred in both U.S. and Canadian dollars. The Company does not have currency hedging arrangements in place, and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the U.S. dollar and Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks Associated With The Securities Of The Company

The Company may require additional financing, which may not be available, or may be too expensive.

The continued development of the Company may require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing. The failure to raise or procure such additional funds, or failure to raise or procure such additional funds at an affordable interest rate in an increasingly higher interest rate environment, could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Investors in the Common Shares may experience dilution from future financings.

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of common shares, and the Company's shareholders will have no pre-emptive rights in connection with such further issuances. C21's Board of Directors ("**Board**") has discretion to determine the price and the terms of further issuances. Moreover, additional common shares will be issued by the Company on the exercise, conversion or redemption of certain outstanding securities of the Company in accordance with their terms. The Company may also issue common shares to finance future acquisitions. The Company cannot predict the size of future issuances of common shares or the effect that future issuances and sales of common shares or other securities will have on the market price of its common shares. Issuances of a substantial number of additional common shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the common shares. With any additional issuance of common shares, investors will suffer dilution and the Company may experience dilution in its revenue per share.

Company indebtedness could have a number of adverse impacts on the Company, including reducing the availability of cash flows to fund working capital and capital expenses.

Any indebtedness of the Company could have significant consequences on the Company, including: increase the Company's vulnerability to general adverse economic and industry conditions; require the Company to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Company's cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Company's flexibility in planning for, or reacting to, changes in the business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Company's ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

There is a limited market for resale of the Company's common shares.

Notwithstanding that the Company's common shares are listed on the CSE, there can be no assurance that an active and liquid market for such securities will develop or be maintained and securityholders may find it difficult to resell any securities of the Company.

There can be no assurance that the publicly traded price of the Company's common shares will be high enough to create a positive return for investors. Further, there can be no assurance that the common shares will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such an event, the probability of resale of the common shares would be diminished.

As well, the continued operations of the Company will be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Company is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their common shares and any investment in the Company may be lost.

The price of the Common Shares has been and may continue to be volatile.

The market price of C21's common shares cannot be predicted and has been and may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of shareholders or holders of other securities to sell their securities at an advantageous price. Market price fluctuations in the securities may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or competitive, regulatory or economic trends, adverse changes in the economic performance or market valuations of companies in the industry in which the Company operates, acquisitions, dispositions, strategic partnerships, joint ventures, capital commitments or other material public announcements by the Company or its competitors or government and regulatory authorities, operating and share price performance of the companies that investors deem comparable to the Company, addition or departure of the Company's executive officers and other key personnel, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Company's securities.

Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity and convertible securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of C21's common shares and other securities may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue or arise, the Company's operations may be adversely impacted, and the trading price of the common shares and other securities may be materially adversely affected.

Maintaining a public listing is costly and will add to the Company's legal and financial compliance costs.

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

The Company has not paid dividends and does not anticipate paying dividends for the foreseeable future.

The Company has not paid dividends to shareholders in the past and does not anticipate paying dividends in the foreseeable future. The Company expects to retain its earnings to finance growth, and where appropriate, to pay down debt.

The Company is a Foreign Private Issuer under U.S. Securities Laws.

The Company is a "foreign private issuer", under applicable U.S. federal securities laws, and is, therefore, not subject to the same requirements that are imposed upon U.S. domestic issuers by the United States Securities and Exchange Commission (the "SEC"). Under the Exchange Act, the Company is subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, the Company does not file the same reports that a U.S. domestic issuer would file with the SEC, although the Company is required to file with or furnish to the SEC the continuous disclosure documents that it is required to file in Canada under Canadian securities laws. In addition, the Company's officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act. Therefore, the Company's shareholders may not know on as timely a basis when the Company's officers, directors and principal shareholders purchase or sell Common Shares, as the reporting periods under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, the Company is exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. The Company is also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While the Company complies with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, the Company may not be required under the Exchange Act to file annual and quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the Exchange Act.

The Company could lose Foreign Private Issuer status, which would alter its reporting requirements.

The Company may in the future lose its foreign private issuer status if a majority of its common shares are held in the U.S. and if the Company fails to meet the additional requirements necessary to avoid loss of its foreign private issuer status. The regulatory and compliance costs under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs incurred as a Canadian foreign private issuer using the standard foreign form or as Canadian foreign private issuer eligible to use the multi-jurisdictional disclosure system adopted by the securities regulatory authorities in United States and Canada ("MJDS"). If the Company is not a foreign private issuer, it would not be eligible to use the MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer.

The Company is an emerging growth company and relies on exemptions from certain disclosure requirements which may make its common shares less attractive to investors.

The Company is an "emerging growth company" as defined in section 3(a) of the Exchange Act (as amended by the JOBS Act, enacted on April 5, 2012), and the Company will continue to qualify as an emerging growth company until the earliest to occur of: (a) the last day of the fiscal year during which the Company has total annual gross revenues of US\$1,235,000,000 (as such amount is indexed for inflation every five years by the SEC) or more; (b) the last day of the fiscal year of the Company following the fifth anniversary of the date of the first sale of common equity securities of the Company pursuant to an effective registration statement under the Securities Act, as amended; (c) the date on which the Company has, during the previous three year period, issued more than US\$1,235,000,000 in non-convertible debt; and (d) the date on which the Company is deemed to be a "large accelerated filer", as defined in Rule 12b-2 under the Exchange Act. The Company will qualify as a large accelerated filer (and would cease to be an emerging growth company) at such time when on the last business day of its second fiscal quarter of such year the aggregate worldwide market value of its common equity held by non-affiliates will be US\$700,000,000 or more.

For so long as the Company remains an emerging growth company, it is permitted to and intends to rely upon exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. The Company cannot predict whether investors will find its common shares less attractive because the Company relies upon certain of these exemptions. If some investors find the Common Shares less attractive as a result, there may be a less active trading market for the Common Shares and the Common Share price may be more volatile. On the other hand, if the Company no longer qualifies as an emerging growth company, the Company would be required to divert additional management time and attention from the Company's development and other business activities and incur increased legal and financial costs to comply with the additional associated reporting requirements, which could negatively impact the Company's business, financial condition and results of operations.

Item 4. Information on the Company

A. History and Development of the Company

History

The Company was incorporated in the Province of British Columbia under the Company Act (British Columbia) on January 15, 1987, as Empire Creek Mines Inc. On May 11, 1987, the Company changed its name to Curlew Lake Resources Inc. Effective November 24, 2017, the Company changed its name to C21 Investments Inc.

On June 15, 2018, the common shares of the Company were delisted from the TSXV and on June 18, 2018, the common shares of the Company commenced trading on the CSE under the symbol "CXXI". The Company registered its common shares in the United States and on May 6, 2019, its common shares were cleared by FINRA for trading on the OTC Markets platform under the U.S. trading symbol "CXXIF". On August 23, 2019, the Company announced it had been approved for trading on the OTCQB Venture Market, and on September 28, 2020 the Company commenced trading on the OTCQX Best Market.

The Company's corporate office and principal place of business is 19th Floor, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H4. The Company's telephone number is +1 833-289-2994 and its corporate website is www.cxxi.ca. The information contained on its website is not incorporated by reference into this Annual Report. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Development

Since the Company changed its focus to the cannabis market on January 29, 2018, the Company has aggressively grown its business, based primarily on its acquisition and optimization of assets in Nevada in 2019. The Company funded its acquisitions through private placement financings and convertible debentures.

As of January 31, 2024, the Company has closed its acquisitions of Silver State Relief LLC (retail) and Silver State Cultivation LLC (cultivation and extraction) located in Nevada, and closed its acquisitions and subsequently sold off the majority of its assets with respect to Eco Firma Farms LLC (cultivation), Megawood Enterprises Inc (retail), Phantom Venture Group, LLC and Phantom Brands, LLC (cultivation, extraction and wholesale) and Swell Companies Limited (extraction and wholesale), located in Oregon. The Company is no longer operational in Oregon and has listed, or will be listing, its remaining real and personal property in Oregon for sale.

Strategic Initiatives

The Company's strategic initiatives over the next 12 months include extending our Nevada retail footprint where we have a proven track record of success, continuing our disciplined approach to growth and financing, and internally producing product to expand our Nevada retail footprint.

The Nevada cultivation expansion was completed in January 2023 at a total cost of \$3.0 million dollars. The total completed expansion more than doubled the Company's annual production capacity to 8,100 pounds of high-quality flower. On June 7, 2024 the Company completed the acquisition of an operational retail cannabis store and license for a purchase price of \$3.5 million dollars. This was financed from cash on hand and a private placement financing completed in May 2024.

Completed Acquisitions - Nevada

Nevada

Silver State Cultivation LLC and Silver State Relief LLC - Nevada, USA

On January 15, 2019, the Company completed the acquisition of 100% of the membership interests of both Silver State Relief LLC and Silver State Cultivation LLC (collectively "**Silver State**"), which are Nevada limited liability companies. The acquisition was made effective January 1, 2019. Silver State operates indoor cannabis cultivation and processing in a licensed facility in Sparks, Nevada, and owns three retail licenses that operate cannabis dispensaries in Sparks, Reno and Fernley, Nevada.

In consideration for 100% of the membership interests of Silver State, the Company paid total consideration of \$49,105,048, which included a secured promissory note to the vendor, Sonny Newman, for \$30,000,000 (the "**Newman Note**"). Mr. Newman was subsequently engaged by the Company to act as its President and Chief Executive Officer.

Acquisition of New Dispensary from Deep Roots Harvest Inc. ("Deep Roots")

On June 7, 2024, the Company closed the acquisition of all the assets of a 6,500 square-foot, purpose-built, operational retail cannabis dispensary located in Reno, Nevada from Deep Roots. This acquisition will allow C21 to expand its retail footprint in Nevada, a pivotable step in its growth strategy. This store is being integrated and rebranded under the Silver State Relief banner. The purchase price paid by Silver State Relief to Deep Roots was \$3,500,000 in cash. The new Reno dispensary rebranded "Silver State", was opened for business on June 26, 2024.

Promissory Note to Sonny Newman

Effective November 21, 2019, Mr. Newman and the Company agreed to amend the terms of the Newman Note, with a remaining principal balance of \$21,800,000. The December 1, 2019, principal payment of \$800,000 was cancelled and the principal monthly payments thereafter were reduced to \$600,000 per month. Further, the annual interest rate on the note was reduced from 10% to 9.5%. The remaining balance on the note was then due and payable on July 1, 2020.

Effective June 25, 2020, Mr. Newman and the Company agreed to further amend the terms of the Newman Note, with the remaining principal balance of \$18,200,000. The maturity date of the Note was extended from July 1, 2020, to January 1, 2021, and all other terms of the Newman Note remained the same, including the monthly payment obligations of principal and interest.

Effective November 19, 2020, Mr. Newman and the Company agreed to further amend the terms of the Newman Note, with the remaining balance of \$15,200,000. The remaining balance of the Note was termed out 30 months to May 1, 2023, and the monthly payments reduced to \$506,666 per month; all other terms of the Newman Note remained the same. As at January 31, 2023, the outstanding balance of the Newman Note was \$2,026,667, and is \$nil as of the date of this Annual Report.

Effective February 6, 2023, Mr. Newman and the Company agreed to defer payment of the principal portion of the March 1, 2023, payment on the Newman Note to facilitate the cash payment on settlement with the Swell vendors. The payment was deferred to June 1, 2023. The Newman Note was fully repaid on June 1, 2023.

Silver State Buildings

The Silver State Relief dispensary in Sparks, Nevada was the first dispensary in Nevada and opened in July 2015 selling medical cannabis. In July 2017, the sale of recreational cannabis commenced, and in January 2019 a second dispensary location was opened in Fernley, Nevada.

The Silver State businesses operate in four buildings, a cultivation/production warehouse and a dispensary, both located in Sparks, Nevada. Two other dispensaries, the first is the Fernley dispensary in Fernley, Nevada, which opened on January 15, 2019, and the second is the new South Reno dispensary located in South Reno, Nevada. The Company has the option, exercisable during the term of its leases, to acquire all three of the real estate assets of Silver State including: the land and 158,000 square-foot building ("**Stanford Way**") located in Sparks, Nevada that houses its cultivation and extraction facility; the land and 8,000 square foot retail dispensary building ("**Greg Street**") located in Sparks, Nevada, servicing more than 30,000 customers per month; and the 6,000 square foot dispensary and land located in Fernley, Nevada ("**Fernley**"), servicing more than 15,000 customers per month. The option price for Stanford Way is \$12,700,000, payable in cash or common shares of the Company at \$3.50 per common share, at the election of the landlord. The option price for Greg Street is \$3,300,000, payable in cash. The option price for Fernley, extended on June 30, 2020, along with the lease term, to July 31, 2023, is \$2,228,000, payable in cash.

On November 19, 2020, the Company and the landlord agreed that the purchase options for the Greg Street and Fernley dispensaries would be extinguished. The leases on each of the 3 properties were extended to December 31, 2027, with a 5-year renewal option.

On February 28, 2023, the Company and the landlord agreed new lease agreements for the Greg Street and Fernley dispensaries. The leases have a 7-year term with options for up to three renewal terms of 7-years each.

As part of the acquisition of the Reno dispensary on June 7, 2024, the Company signed a 10-year lease which runs to June 30, 2034, with options for two periods of seven years.

Today there are 19 grow rooms at the Silver State cultivation and extraction facility producing approximately 8,100 pounds of flower and 3,300 pounds of trim. Most of this production is sold through the two Silver State dispensaries. Excess production is sold into the wholesale market.

Completed Financings

On May 6, 2024, the Company closed a private placement of C\$4 million from the issuance of convertible debentures units. The proceeds were used to fund the acquisition of the new South Reno dispensary. The convertible debenture units are comprised of a "Convertible Debenture" convertible into common shares at C\$0.45, and a "Warrant" entitling the holder to exercise into common shares at C\$0.55. The maximum shares issuable from the Convertible Debenture is 8,888,889 common shares, and from the Warrant, 4,000,000 common shares. The outstanding principal amount owing under the Convertible Debenture will accrue interest from the issue date at 12% per annum payable quarterly in cash. Repayment of the Convertible Debenture will be made in 25 equal monthly installments beginning on the last day of the 6th month from issuance. The Convertible Debenture matures 30 months after issuance. See the news release and public filings of this issuance for further information.

Completed Acquisitions and Dispositions - Oregon

Megawood Enterprises Inc - Oregon, USA (Sold)

On January 23, 2019, the Company completed the acquisition of 100% of the common shares of Megawood Enterprises Inc ("**Pure Green**"), an Oregon corporation, which includes its retail location at 3738 Sandy Blvd. NE, Portland, OR. In consideration for 100% of the common shares of Pure Green, the Company paid total consideration of \$794,888.

On January 7, 2021, the Company entered into the Oregon Agreement (as defined herein), pursuant to which, among other things, involved the sale of the Pure Green assets, and the assumption by the buyer of the lease at the Pure Green facility. Subsequent to the sale of the Pure Green assets, Pure Green was dissolved and is no longer in operation. See "*Sale of Non-Core Oregon Assets*" below.

Phantom Venture Group, LLC and Phantom Brands, LLC - Oregon, USA (Non-operational/Sold)

On February 4, 2019, the Company completed its acquisition of 100% of the membership interests of Phantom (as defined below), which encompasses the following limited liability companies: Phantom Venture Group, LLC, Phantom Distribution, LLC, 63353 Bend, LLC, 20727-4 Bend, LLC, 4964 BFH, LLC, and Phantom Brands, LLC (collectively "**Phantom**"). Phantom operates two outdoor cannabis cultivation facilities totaling 80,000 square feet in Southern Oregon. Phantom also operates a 5,600 square foot facility which includes a wholesale distribution warehouse and an extraction laboratory and a 7,700 square foot state-of-the-art indoor grow facility in Central Oregon.

In consideration for 100% of the membership interests of Phantom, the Company paid total consideration of \$10,539,260 as follows:

- (i) cash deposits on closing of \$3,200,000

- (ii) a promissory note for \$290,000;
- (iii) issuance of 2,670,000 common shares of the Company valued at C\$1.23/common share;
- (iv) issuance of 1,700,000 share purchase warrants of C21, each warrant exercisable for one common share at a price of C\$1.50 per common share; and,
- (v) issuance of earnout shares of up to a maximum of 4,500,000 common shares of C21 (the "**Phantom Earn-Out Shares**"), to be issued over a period of seven years, contingent upon the achievement of certain stock price targets of C21 or change of control of C21 at certain stock price valuation targets (50% of the Phantom Earn-Out Shares issuable upon change of control of the Company at a valuation of C\$3.00 per C21 common share or more; 100% of the Phantom Earn-Out Shares issuable upon change of control of the Company at a valuation of at least C\$5.00 per C21 common share).

On January 19, 2022, the Company entered in the Southern Oregon Agreement (as defined herein), pursuant to which, among other things, involved the sale of the two Phantom outdoor cannabis cultivation facilities in Southern Oregon. On March 9, 2023, the Company executed a settlement agreement to terminate the Southern Oregon Agreement. The lessee failed to make the minimum payments under the agreement and the Company exercised its right to terminate the Agreement. The lessee paid \$500,000 as consideration for the two cannabis licenses in Southern Oregon. The land and equipment in Southern Oregon will be listed for sale.

On April 28, 2022, the Company entered into the Central Oregon Agreement (as defined herein), pursuant to which, among other things, the Company sold three (3) Bend, Oregon cannabis licenses. The Company had remaining lease payment obligations in connection with the Phantom Tier I indoor cultivation facility, the processing facility and the wholesale distribution facility in Central Oregon until January 2024, but on March 27, 2023, the Company executed a lease surrender agreement with the subject landlord and paid out the remaining term of the three Phantom leases which had term to January 2024, in exchange for the equivalent of one month's abated rent on each of the three leases.

Phantom is no longer in operation; however, the Company has retained the Phantom Farms and Hood Oil brands, and will be listing the Southern Oregon real and personal property assets for sale. See "*Sale of Non-Core Oregon Assets*" below.

Swell Companies Limited - Oregon, USA (Sold)

On May 24, 2019, the Company completed its acquisition of 100% of the common shares of Swell Companies Limited ("**Swell**"), an Oregon corporation. Swell is a processor and wholesaler of THC and CBD products.

In consideration for 100% of the common shares of Swell, the Company paid or agreed to pay total consideration of \$18,812,683 as follows:

- (i) cash deposits on closing of \$5,050,000;
- (ii) liabilities assumed of \$1,070,907;
- (iii) \$1,000,000 in the form of a 2-year convertible note at 10% interest, upon close;
- (iv) 1,266,667 common shares of C21 on closing;
- (v) 1,200,000 warrants to purchase common shares of C21 with an exercise price of C\$1.50 per common share;
- (vi) 456,862 common shares issuable on November 24, 2020;
- (vii) 2,450,000 common shares issuable on May 24, 2021. Upon the vendors' election, up to \$5 million in cash to be received 24 months from the closing date if the average closing price of the Company's shares over the 15 trading days immediately preceding the payment date is less than C\$3.75 per share. If the vendors elect to take cash, common shares issuable would be reduced to 783,333; and,
- (viii) issuance of up to a maximum of 6,000,000 earn out common shares (the "**Swell Earn-Out Shares**"), to be issued over a period of seven years, contingent upon the achievement of certain stock price targets of C21, and 50% of the Swell Earn-Out Shares issuable upon change of control of C21 and 100% of the Swell Earn-Out Shares issuable upon change of control of C21 at a C21 valuation of at least C\$5.00 per C21 common share.

On February 13, 2023, the Company announced the cancellation of most of the Swell Earn-Out Shares. The Company entered into agreements with certain Swell vendors to extinguish the Company's obligation to issue 4,792,800 common shares in exchange for a cash payment of \$575,136.

As of the date of this Annual Report the outstanding balance of Swell Earn-Out Shares is 1,207,200 common shares.

Eco Firma Farms LLC - Oregon, USA (Non-Operational)

On June 13, 2018, the Company completed the acquisition of 100% of the membership interests of Eco Firma Farms LLC ("**EFF**"), an Oregon limited liability company (former subsidiary of Proudest Monkey Holdings LLC), which owned and operated a 22,000 square-foot cannabis production facility, and related assets, in Oregon. On June 28, 2018, and July 6, 2018, the Company announced certain post-closing adjustments with respect to the acquisition of EFF. In consideration for 100% of the membership interests of EFF, the Company paid total consideration of \$7,849,684.

The vendors of Eco Firma Farms LLC can also earn up to 3,948,750 (was 6,500,000, see below December 28, 2018 restructuring) common shares of C21, at a deemed issue price of \$1.00 per common share, over a maximum seven-year period, if the EBITDA earned by the Company in relation to EFF satisfies certain agreed upon amounts (the "**EFF Earn Out**"). Management has determined that the EFF Earn-Out has no value.

On December 28, 2018, the Company restructured certain real estate rights connected with its EFF operations. Under the restructured arrangement, for a \$3,800,000 purchase price, the Company formally acquired the real estate assets housing EFF's cultivation operations under a vendor finance arrangement that converted rental payments into mortgage interest payments. As part of the restructuring, two of the vendors of EFF agreed, among other things, to assign the rights to their 39.25% share of the EFF Earn-Out to a wholly owned subsidiary of the Company.

On May 10, 2019, the Company issued 3,983,886 common shares (the common shares were issued subject to escrow release in four consecutive monthly installments of 25% each commencing on September 14, 2019), at a deemed price of \$0.825 per common share, to settle the \$3,800,000 purchase price for the real property used in EFF's operations, in addition to assuming the \$513,294 balance under the first mortgage for the property.

Cultivation activities at the EFF facility were temporarily shuttered in October 2019. The EFF facility was under third-party management pursuant to a management agreement dated June 15, 2020, whereby the management company has assumed all costs at the facility including real property taxes and costs. On March 8, 2022 the Company terminated the management agreement. The EFF facility is listed for sale and EFF is no longer in operation.

Sale of Non-Core Oregon Assets

On January 7, 2021, the Company announced entering into a definitive agreement (the "**Oregon Agreement**") for the sale of select non-core assets in Oregon, currently under third-party management agreements for \$1.3 million. These assets included the Company's Portland licenses and BHO processing equipment and the Dab Society brand, including an assumption by the buyer of the respective leases at the Swell and the Pure Green facilities. The parties received Oregon Liquor Control Commission ("**OLCC**") approval to the transfer of the licenses and effective April 23, 2021, the funds were received, and the sale was closed.

On January 19, 2022, the Company announced entering into a definitive agreement (the "**Southern Oregon Agreement**") for the sale of select assets, including its real property located in Southern Oregon and associated outdoor production licenses and equipment, for \$2.0 million. The Company has received a \$100,000 cash down payment with an additional \$400,000 to be paid upon the buyer's receipt of the OLCC approval of the license transfer and closing. The Company will receive interest-only monthly installments starting in July 2022 at an annual interest rate of 8%, including annual principal payments of \$100,000, on a \$1.5 million secured promissory note maturing on the fifth (5th) anniversary of the agreement.

On April 28, 2022, the Company entering into a definitive agreement (the "**Central Oregon Agreement**") for the sale of select assets, including its indoor production license, wholesale license and processing license located in Bend, Oregon, and certain nominal equipment, for \$87,500. The Company has received full payment under the Central Oregon Agreement and the licenses are in the process of being transferred.

On March 9, 2023, the Company executed a settlement agreement to terminate the Southern Oregon Agreement. The lessee failed to make the minimum payments under the agreement and the Company exercised its right to terminate the Agreement. The lessee paid \$500,000 as consideration for the two production licenses in Southern Oregon. The land and equipment in Southern Oregon will be listed for sale.

B. Business Overview

The Company is a vertically integrated cannabis company that cultivates, processes, distributes and sells quality cannabis and hemp-derived consumer products in Nevada, U.S.A. The Company is focused on value creation through the disciplined acquisition and integration of core retail, manufacturing, and distribution assets in strategic markets, leveraging industry-leading retail revenues together with high-growth potential and multi-market branded consumer packaged goods ("CPG").

The Company focuses on scalable opportunities in key markets that take advantage of its core competencies, including: (i) retail operational excellence and expanding its retail footprint through value-add acquisitions in existing markets, and (ii) branded CPG expansion through both captive retail and wholesale channels. The Company focuses on acquiring businesses that provide immediate contribution to overall profitability, or have a path to profitability within twelve months, where it can leverage existing assets, brands, and domain expertise.

The Company currently holds licenses in Nevada, spanning the entire cannabis supply chain.

The Company is operated by a management team that has significant professional experience, including deep experience both within the cannabis industry and other fast-paced growth industries like technology, healthcare, and venture capital. The Company's management team also includes experts from more traditional industries like forestry, manufacturing, real estate, and capital markets.

Cultivation and Processing

Through Silver State in Nevada, the Company operates its indoor cultivation and processing out of a 104,000 square foot facility now with 37,000 square feet of cultivation and 1,200 square feet dedicated to volatile extraction. Silver State completed a \$3 million expansion of its grow facility in April 2022, more than doubling capacity to 11,500 pounds of biomass with 8,100 pounds of flower and 3,300 pounds of trim annually. An additional 30,000 sq ft of cultivation can be built out on future expansion of Nevada retail footprint, which should produce an additional 6,000 pounds per annum of high-quality flower.

The Company's extraction processing supports branded CPG in both captive retail and wholesale channels. Silver State manufactures Hood Oil cartridges, Phantom Farms pre-rolls, and flower strains, together with the Silver State branded products which include Flower, pre-rolls, and concentrates. These in-house brands make up over 34% of sales in the dispensaries. With the increased production available, wholesale sales amounted to \$3.0 million during the year ended January 31, 2024 (\$2.1 million in prior year).

Retail

The Company operates three dispensaries with the acquisition of the third store completed on June 7, 2024. An 8,000-square foot retail dispensary, located in Sparks, Nevada, and a 6,000-square foot dispensary located in Fernley, Nevada collectively servicing a total of more than 125,000 recreational and medical cannabis customers per quarter, with over 700 SKUs in each store.

The new dispensary in Reno is a 6,500 square foot, purpose-built, operational retail cannabis dispensary. With the dispensary's desirable location in a high traffic, flourishing area of South Reno, we anticipate strong revenue growth from this acquisition, along with the added benefit of allowing us to expand the portion of our cultivation capacity sell through.

Silver State had total retail sales of \$25.3 million during the year ended January 31, 2024 as compared to \$26.8 million in the prior year.

Branding and Marketing

The Company utilizes consistent branding and messaging across its retail and wholesale channels under Phantom Farms, Hood Oil, and Silver State Relief. The Company currently sells over 700 distinct SKUs, including the following product categories: CO2 vaporizer pens, live resin vaporizer pens, distillate vaporizer pens, live resin extract, cured resin extract, bulk flower, packaged flower, pre-rolls, CBD cured resin vaporizer pens, CBD CO2 vaporizer pens, and CBD cured resin extracts.

Banking and Processing

In Nevada, the Company deposits funds from its operations into its credit union accounts held at Greater Nevada Credit Union (Nevada) and at Partner Colorado Credit Union through Safe Harbor Private Banking services (Colorado). The Company is fully transparent with its credit union partners regarding the nature of its business.

Product Selection and Offerings

Product selection decisions are currently made by the Company's buyers, who negotiate with potential vendors across all product categories including packaged and wholesale flower, vaporizer pens, cured extracts, edibles and pre-rolls. The Company bases its product selection decisions on product quality, margin potential, and scalability.

The Company's branded CPG and flower-based products are sold primarily through captive retail and wholesale channels in Nevada. The Company's retail locations in Nevada also offer third party branded CPG and flower-based products including a wide variety of THC and CBD based products, including vaporizer pens, cured resin extracts, bulk flower, packaged flower, pre-rolls, edibles, tinctures, and topicals.

Product Pricing

The Company's wholesale and retail pricing strategies are regularly adjusted in accordance with individual market dynamics. Generally speaking, when pricing adjustments are made within a given market, such adjustments are applied, and held consistently, across all business lines and channel partners.

The state of Nevada does not regulate pricing and licensed dispensing organizations within the state may also set their own prices for cannabis and cannabis products. However, products sold at dispensaries in Nevada are subject to a 10% cannabis excise and sales tax.

In-Store Pickup, Drive-thru window and Delivery

The Company's Nevada retail locations offer in-store pickup and delivery utilizing the leading third-party service providers, a leading cannabis sales and fulfillment web-based application. The Company added a Drive-thru window at our Sparks dispensary in the year end January 31, 2024. The Company actively monitors the continued growth of a number of cannabis web-based sales and fulfillment platforms and is well poised to utilize strategic third-party service providers during the ongoing pandemic.

Inventory Management

The Company has comprehensive inventory management procedures, which are compliant with all applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict controls over the Company's cannabis flower and CPG inventory from its production, processing and distribution licensees through to ultimate sale to end consumers (or rare cases disposal as cannabis waste). Such inventory management procedures also include strong quality control and quality assurance measures to prevent in-process contamination and maintain the safety and quality of the products. The Company is committed to supplying safe, consistent, and high-quality cannabis flower and CPG products at a value-oriented price.

Research and Development

Through its research and development activities, the Company expects to create proprietary genetics, processes, technologies, and products from its existing Nevada operations, as well as from future expansion in new markets. The Company may license these genetics, processes, technologies, and products as part of its future business. The Company may also seek appropriate federal patent, trademark, copyright, and other customary intellectual property protections when the same become available and/or are appropriate.

Competition

Across a modified and strategic cannabis value chain, the Company expects to continue to vigorously compete with other licensees in Nevada. Nevada is a "limited" license state, therefore competition to date has been less challenging and the broader market dynamics are more favorable. While many of the Company's direct competitors continue to be small-scale local operators, market rationalization through consolidation is increasingly a trend. Of note is the increased participation of multi-state operators with national growth aspirations in the Nevada marketplaces. As more U.S. jurisdictions pass state legislation allowing the recreational use and sale of cannabis, the Company is assured an increased level of competition in U.S. markets. These increasingly competitive U.S. markets may adversely affect the financial condition and operations of the Company.

Employees

The Company's employees are highly talented individuals who have educational achievements ranging from Ph.D., Masters, and undergraduate degrees in a wide range of disciplines, as well as staff who have been trained on the job to uphold the highest standards as set by the Company. The Company hires and promotes individuals who are best qualified for each position, priding itself on using a process that identifies people who are trainable, cooperative and share the Company's core values.

The Company takes all reasonable steps to ensure staff are appropriately informed and trained to ensure a culture of health, safety, and continuous improvement. Wherever possible, the Company will continue to adopt generally accepted health and safety best practices from non-cannabis-related industries and follows all health and safety guidelines issued by the United States Centers for Disease Control ("CDC") and all orders from relevant provincial, state and local jurisdictions and authorities.

Intellectual Property

The Company has developed numerous proprietary genetics, processes, technologies and products. These assets include genetics, ERP and other software applications, cultivation and extraction technologies, as well as consumer brands. Whenever available and appropriate, the Company undertakes reasonable intellectual property protections to secure these assets.

To date, absent the availability of customary federal patent, trademark, and copyright protections for cannabis applications, the Company has relied on non-disclosure/confidentiality arrangements, common law trade secrets, and state-based trademark protections. The Company actively monitors and responds to all potentially material intellectual property infringements and maintains strict standards and controls regarding the use and dissemination of its intellectual property.

Government Regulations

Please see Item 5.D. "United States Regulatory Environment", for a discussion of the material effects of government regulations on the Company's business.

In addition, the Company owns four (4) website domains including: www.cxxi.ca, www.phantom-farms.com, www.silverstaterelief.com and c21supply.co, along with numerous social media accounts across all major platforms.

C. Organizational Structure

The Company conducts its business as the parent company to the following ten (10) significant subsidiaries in the United States:

Name of subsidiary	Principal activity
320204 US Holdings Corp.	Holding Company
320204 Oregon Holdings Corp.	Holding Company
320204 Nevada Holdings Corp.	Holding Company
320204 Re Holdings, LLC	Holding Company
Eco Firma Farms LLC (*)	Cannabis producer
Silver State Cultivation LLC	Cannabis producer
Silver State Relief LLC	Cannabis retailer
Phantom Venture Group, LLC (*)	Holding Company
Phantom Brands, LLC (*)	Holding Company
Phantom Distribution, LLC (*)	Cannabis distributor
Workforce Concepts 21, Inc.	Payroll and benefits services

(*) Operations discontinued and results included in discontinued operations.

D. Property, Plants and Equipment

Our executive offices are located at 19th Floor, 885 West Georgia Street, Vancouver, BC, V6C 3H4.

Our Canby, Oregon production facility is located at 24700 S Mulino Road, Canby, OR 97013. This facility is a total of 22,000 square feet, but there is no current production activity. The Canby property is owned by the Company and the Company has listed the real estate and production license for sale.

The Company no longer leases properties in Central Oregon. In March 2023, the Company paid out the remaining 11 months of the three Bend real property leases and vacated the premises.

Our Southern Oregon outdoor cannabis production facilities are located at 4962 and 4964 Butte Falls Highway, Eagle Point, Oregon, 97524. The associated real property is approximately 60 acres, and the facilities include a total of 80,000 square feet of production capacity. In 2023, the transfer of the licenses was approved and were transferred pursuant to the Southern Oregon Agreement. Payment for the Southern Oregon production facilities and real property was not made, and the Company has terminated the agreement. The Company will be listing this real and personal property for sale.

Our Sparks, Nevada production and processing facility is located at 250 S Stanford Way, Sparks, NV 89431. This facility is a total of 104,000 square feet, with 37,000 square feet utilized for cultivation of cannabis flower, and 1,200 square feet utilized for extraction and processing of cannabis products.

Our Sparks, Nevada dispensary is located at 175 E Greg Street, Sparks, NV 89431. This retail building is 8,000 square feet primarily selling the Company's cannabis flower and products and third-party cannabis products.

Our Fernley, Nevada dispensary is located at 1301 Financial Way, Fernley, NV 89408. This retail building is 6,000 square feet, primarily selling the Company's cannabis flower and products and third-party cannabis products.

Our Reno, Nevada dispensary is located at 12240 Old Virginia Road, Reno, NV 89521. This retail building is 6,500 square feet, primarily selling the Company's cannabis flower and products and third-party cannabis products.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

The Company previously presented its financial statements in conformity with the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS**"). Beginning for the fiscal year ended January 31, 2022, the Company changed the accounting principles governing the presentation of its consolidated financial statements to the U.S. generally accepted accounting principles ("**U.S. GAAP**").

Financial statements included in this Annual Report for the fiscal years ended January 31, 2024, January 31, 2023 and January 31, 2022 were prepared in conformity with U.S. GAAP.

Financial Information for three years to FY 2024 in accordance with U.S. GAAP

The following table presents selected financial information for the years ended January 31, 2024, 2023 and 2022.

C21 Investments Inc., PROFIT AND LOSS	Year ended		
	31-Jan-24	31-Jan-23	31-Jan-22
			<i>Restated</i>
Revenue	28,285,200	28,888,410	32,982,976
Inventory expensed to cost of sales	17,135,434	15,487,264	14,172,991
Gross profit	11,149,766	13,401,146	18,809,985
Gross Margin%	39.4%	46.4%	57.0%
Expenses			
General and administration	7,537,233	7,196,402	6,733,113
Sales, marketing, and promotion	75,561	83,672	83,770
Operating lease cost	633,840	591,375	591,376
Depreciation and amortization	1,408,976	1,365,018	1,280,446
Share based compensation	22,128	209,441	366,469
Total expenses	9,677,738	9,445,908	9,055,174
Income from operations	1,472,028	3,955,238	9,754,811
Other items			
Interest expense	(35,210)	(456,691)	(1,077,068)
Accretion expense	-	-	(230,462)
Other Income (loss)	(726,789)	(49,722)	108,470
Gain on change in fair value of derivative liabilities	(451,372)	742,483	8,576,290
Net income (loss) from continuing operations before income taxes	258,657	4,191,308	17,132,041
Income tax expense	(3,482,125)	(2,809,768)	(4,934,467)
Net income (loss) from continuing operations after income taxes	(3,223,468)	1,381,540	12,197,574
Net loss from discontinued operations	(81,817)	(1,088,329)	(2,242,644)
Net income (loss)	(3,305,285)	293,211	9,954,930
Income (loss) from continuing operations per share, basic and diluted	(0.03)	0.01	0.10
Basic and diluted income (loss) per share	(0.03)	0.00	0.08
Distributions or cash dividends	n/a	n/a	n/a
Weighted average number of shares outstanding - basic	120,047,814	120,047,814	118,308,584
Weighted average number of shares outstanding - diluted	122,880,807	122,880,807	121,141,677

All the current and comparative figures are in U.S. GAAP. The year ended January 31, 2022 has been restated for additional tax provision of \$1.2 million which has increased both income tax expense and lowered Net income by this amount.

"**Revenue**" includes retail revenues from our two stores and wholesale revenue from our cultivation operations. Financial Year ("FY") 2024 revenues decreased versus FY 2023 by 2% to \$28.3 million. These declines are consistent with industry trends since the easing of pandemic restrictions. According to Headset, a cannabis industry market analysis site, (<https://www.headset.io/markets/nevada>), Nevada cannabis sales have dropped by 6% over the same 12 months ending January 31, 2024.

"**Cost of Sales**" includes the costs directly attributable to cultivating and processing cannabis plus the cost of product purchases from third parties, for sale in our stores. With the expansion of our cultivation facility our cost of production has come down due to economies of scale. We use an average costing model which captures and averages costs over several quarters.

"**Gross profit**" fell in FY 2024 versus FY 2023 from 46% to 39%, due to various factors including gradual weakening of product demand since the easing of pandemic restrictions. See discussion in Fourth Quarter section below.

"**Income from operations**" for FY 2024 fell to \$1.5 million, down 62% versus FY 2022 of \$4.0 million. This result is mainly due to a fall in Gross Profit as discussed in Fourth Quarter section below.

Expenses

"**General and administration**" includes all overhead costs that have not otherwise been allocated to cost of sales. These include salaries and wages, professional fees including legal and accounting, insurance and some local taxes. FY 2024 costs increased by \$340,831 as compared to FY 2023 due to increased salaries, wages and professional fees.

"**Operating lease cost**" is the cost of our leases not included in cost of sales and was \$633,840 in FY 2024 versus \$591,375 in FY 2023. The increase is due to the renegotiation of an extended term on two leases.

"**Depreciation and amortization**" include provisions for fixed assets and intangibles not included in cost of sales. The total depreciation and amortization in FY2024 was \$1.41 million versus \$1.37 million in FY 2023.

"**Share based compensation**" is a non-cash item and reflects the issuance of stock options to employees, officers, and directors.

Other Items

"**Interest expense**" in FY2024 fell to \$35,210 versus \$456,691 in FY 2022 due to repayment of interest-bearing debt.

"**Other income (loss)**" in FY2024 includes a \$830,000 write-down of the book value of a property held in Oregon.

"**Change in fair value of derivative liabilities**" is a periodic revaluation of the earn out shares outstanding to vendors of businesses purchased by the Company. These earn-out shares are revalued using a Monte Carlo simulation. The fair value of this liability will increase with an increase in the stock price of the Company and vice versa. The change in fair value must be recorded through the Company's profit or loss statement. As a result, a share price increase period-over-period will result in a reduction in net income and vice versa. In February and March 2023, the Company entered into cancellation agreements with the majority of the Swell Vendors who had rights to Swell Earn-Out shares, canceling those rights for a one-time cash payment. Of the 6.0 million original Swell Earn-Out shares 1.2 million remain outstanding. Of the original 10.5 million of earn out shares to both Phantom and Swell, 1.2 million remain.

"**Provision for income taxes**" for FY 2024 of \$3.5 million is up due to increased penalties and interest on tax arrears.

"**Other comprehensive income (loss)**," specifically the cumulative translation adjustment, comes about in GAAP when translating the balances between the parent company (investments made in C\$) and the US subsidiaries (US\$). These foreign exchange gains or losses at each reporting date result from the translation of C\$ amounts to US\$ (which is our reporting currency).

"**Net income (loss) from discontinued operations**" the Company has classified all of its Oregon operations to 'discontinued operations'. The revenues and expenses pertaining to the Oregon operations are shown in this line item. We have had no active business in Oregon since early 2022. The effect of this treatment is to lower our revenues (FY2024 -nil, FY2022-\$357,540) with no effect on our gross profit (FY2024-nil, FY2023-nil) and increase our income from operations (FY2024-\$81,817, FY2023-\$1,088,329) and net income. There is no effect of discontinuing the Oregon operations on our Nevada operations as the cannabis business in each state is unique and separate, which is due to the regulation of the cannabis industry. Effective March 27, 2023, the Company reached a settlement with its central Oregon landlord with respect to its three remaining leases in Oregon, including an early termination of such leases, in exchange for an abatement of one month of the Company's rent applied to each respective lease. This is recorded in the FY2023 accounts. The Company maintains fee simple ownership of real property in central and southern Oregon, which are listed for sale.

Fourth Quarter

LAST EIGHT QUARTERS		(000's unless noted)							
For the 3 months ended		31-Jan-24	31-Oct-23	31-Jul-23	30-Apr-23	31-Jan-23	31-Oct-22	31-Jul-22	30-Apr-22
	Inventory	2,709	2,839	3,038	3,514	4,174	5,549	5,415	4,728
Revenues		6,549	6,882	7,162	7,692	7,033	7,207	7,175	7,472
Income (loss) from operations		487	220	211	555	(639)	1,376	1,524	1,695
Adjusted EBITDA		1,055	943	972	1,561	937	1,906	2,211	2,392
Income (loss) from continuing operations		(2,082)	(357)	(397)	(387)	(1,405)	237	1,512	1,037
*per common share, basic & diluted		(0.02)	(0.00)	(0.00)	(0.00)	(0.01)	0.00	0.01	0.01
Profit (loss) attributable to owners		(2,042)	(376)	(416)	(471)	(2,119)	249	1,857	307
*per common share basic & diluted		(0.02)	(0.00)	(0.00)	(0.00)	(0.02)	0.00	0.02	0.00

With the completion of the expansion of our grow operation in early 2022, our cultivation operations began producing more cannabis flower than our stores sell. During this time we have also seen weakening demand and increased supply in the cannabis markets, especially in wholesale markets, followed by falling prices. This caused our inventories (see table above) to spike in calendar year 2022 to a peak of \$5.5 million at Oct 31, 2022. We started a strategic shutdown of cultivation rooms on a rotating basis at the time, performed maintenance/upgrades on older rooms and testing of new cannabis strains. These initiatives caused various inefficiencies which led to lower cannabis flower yields. Implementation of an expanded customer loyalty program, inflation pressures and continued price compression in the industry also affected margins. Current inventory levels are appropriate.

In Q4, Gross Margins rebounded, highlighting the completed improvements to our grow facilities. We have continued to actively adjust our business mix as we scale back lower margin wholesale activities to better position the business for the recently announced addition of our new retail dispensary.

Income taxes are very high in the cannabis industry due to the restrictions of Section 280E of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The fair value gain or loss on derivative liability has been a large non-cash item on the income statement. The measure of income from continuing operations before these two items, in the quarterly table above, is a useful measure.

Adjusted EBITDA has been steady in the last 3 quarters after falling in the quarters prior to that for the reasons discussed above. See Non-GAAP measures below.

Non-GAAP Financial Measures

"Adjusted EBITDA" is supplemental, non-GAAP financial measures. The Company defines EBITDA as earnings before depreciation and amortization, depreciation and interest in cost of sales, income taxes, and interest. Additionally, the Company's Adjusted EBITDA presented above excludes accretion, loss from discontinued operations, one-time transaction costs and all other non-cash items. The Company has presented "Adjusted EBITDA" because its management believes it is a useful measure for investors when assessing and considering the Company's continuing operations and prospects for the future. Furthermore, "Adjusted EBITDA" is a commonly used measurement in the financial community when evaluating the market value of similar companies. "Adjusted EBITDA" is not a measure of performance calculated in accordance with GAAP, and these metrics should not be considered in isolation of, or as a substitute for, the measurement of the Company's performance prepared in accordance with GAAP. "Adjusted EBITDA," as calculated and reconciled in the table above, may not be comparable to similarly titled measurements used by other issuers and is not necessarily a measure of the Company's ability to fund its cash needs. Figures have been restated to match the current presentation.

Adjusted EBITDA			
	Year ended January 31		
	2024	2023	2022
Net Income (loss)	\$ (3,305,285)	\$ 293,211	\$ 9,954,929
Interest expenses, net	35,210	456,691	1,307,530
Provision for income taxes	3,482,125	2,809,768	4,934,467
Depreciation and amortization	1,408,976	1,365,018	1,280,446
Depreciation and interest in cost of sales	812,368	812,367	812,368
EBITDA	2,433,394	5,737,055	18,289,740
Change in fair value of derivative liabilities	451,372	(742,483)	(8,576,290)
Share based compensation	22,128	209,441	366,469
Loss from discontinued operations	81,817	1,088,329	2,242,644
One-time special project costs	159,000	345,790	229,069
Production curtailment, inventory adjustments	656,000	759,000	-
Other gain/loss	726,789	49,722	(108,470)
Adjusted EBITDA	\$ 4,530,500	\$ 7,446,854	\$12,443,162

Selected Annual Information

The following table summarizes selected information for the most recent three fiscal year ends.

Selected Balance Sheet (000's)			
	31-Jan-24	31-Jan-23	31-Jan-22
Assets			
Cash and other	4,534	4,426	6,230
Inventory	2,709	4,174	4,054
	<i>current</i>	8,599	10,284
Property and equipment	3,433	4,685	4,870
Goodwill, Intangibles, Right of use	43,853	45,027	46,690
	<i>Total assets</i>	58,311	61,844
Liabilities			
Accounts payable	2,216	2,921	2,509
Promissory and CD Notes	1,156	3,183	7,361
Income taxes payable	9,720	7,737	4,870
Deferred tax , other	1,089	1,133	1,234
	<i>current</i>	14,974	15,974
Lease liabilities	9,193	8,555	8,953
Prom notes payable	-	-	2,027
Derivative liability	108	240	1,006
other	-	228	155
	<i>Non-current financial liabilities</i>	9,022	12,142
Equity	31,047	34,315	33,729
	<i>Total liabilities and equity</i>	58,311	61,844

"**Total Assets**" decreased in the past two years due to decreases in cash, amortization of long-term assets, and increased due to capital spending in our cultivation facility of \$3.0 million.

"**Non-current financial liabilities**" have fallen in the past two years mainly due to paying down the Newman note, from \$14.2 million at January 31, 2021 to \$nil at Jan 31, 2024. The Newman Note monthly repayment was \$0.5 million and was fully repaid on June 1, 2023. The repayment of the Newman Note gives the Company flexibility to pursue its strategic growth plans, illustrated by the purchase of a new dispensary announced in March 2024. As cash flow has fallen in the past two years with the slowdown in the Nevada markets, we slowed our 280E driven tax payments, with current taxes owing increasing to \$9.7 million as at January 31, 2024, vs \$4.9 million on January 31, 2022.

"**Derivative liability**" as at January 31, 2022, of \$1.0 million has fallen to \$0.11 million at January 31, 2024. This derivative liability arose from issuance of earn out shares to two vendors. This value is determined by a 3rd party professional valuer. This derivative value has fallen in the past two years mainly due to the fall in the share price of the Company, the passage of time (as the agreements get closer to expiring) and due to various settlement and cancellation agreements the Company has made with most of the holders of these earn out shares. At Jan 31, 2024 the number of earn out shares outstanding is 1.2 million.

B. Liquidity and Capital Resources

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investment and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company's consolidated financial statements for year ended January 31, 2024, have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

There remains uncertainty about the U.S. federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern and have a material adverse impact on the business.

The following table is a summary of C21's balance sheet exposure to U.S. cannabis-related activities as of January 31, 2024:

	2024			
	Subsidiaries	Investments		Total
Current Assets	\$ 6,905,063	\$ -	\$ -	\$ 6,905,063
Non-current Assets	47,286,580	-	-	47,286,580
Total Assets	\$ 54,191,643	\$ -	\$ -	\$ 54,191,643
Current Liabilities	\$ 13,742,790	\$ -	\$ -	\$ 13,742,790
Non-Current liabilities	9,300,821	-	-	9,300,821
Total Liabilities	\$ 23,043,611	\$ -	\$ -	\$ 23,043,611

The following represents the portion of certain assets on C21's consolidated balance sheet that pertain to U.S. Cannabis activity as of January 31, 2024:

- Inventory: 100%
- Property plant & equipment: 100%
- Intangible assets and goodwill: 100%
- Notes receivable and deposits: 95%

The Company's objectives when managing its capital are to ensure there are enough capital resources to continue operating as a going concern and maintain the Company's ability to ensure sufficient levels of funding to support its ongoing operations and development. The purpose of these objectives is to provide continued returns and benefits to the Company's shareholders. The Company's capital structure includes items classified in debt and shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business considering changes in economic conditions and the risk characteristics of the Company's underlying assets.

The Company works with its capital advisors, Needham & Company, LLC. based in New York, and CBI Capital Advisors, LLC ("CBI"), organized in Delaware and based in New York, to identify the best strategic options to execute our corporate growth plans, as well as increasing financial flexibility in managing our debt.

The continued development of the Company may require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing. The failure to raise or procure such additional funds could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company, especially in the current higher interest rate environment. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

For further information, see Management's Discussion and Analysis, attached hereto as [Exhibit 15.1](#), and incorporated by reference herein.

C. Research and Development, Patents and Licenses, etc.

Through its research and development activities, the Company expects to create proprietary genetics, processes, technologies, and products from its existing Nevada operations, as well as from future expansion in new markets. The Company may license these genetics, processes, technologies, and products as part of its future business. The Company may also seek appropriate federal patent, trademark, copyright, and other customary intellectual property protections when the same become available and/or are appropriate.

D. Trend Information

United States Industry Background and Trends

The emergence of the legal cannabis sector in the United States, both for medical and adult use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use.

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, found evidence that cannabis can treat pain and muscle spasms. The pain component is particularly important, because other studies have suggested that cannabis can replace patients' use of highly addictive, potentially deadly opiates - meaning cannabis legalization literally improves lives.

Polls throughout the United States consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. According to an April 2021 Pew Research Center survey, around nine-in-ten Americans favor some form of cannabis legalization, with only 8% saying cannabis should not be legal in any form. In that survey, 91% of U.S. adults support legalizing cannabis either for medical and recreational use (60%) or medical use only (31%). These are large increases in public support over the past 40 years in favor of legalized cannabis use.

Notwithstanding that 40 states and the District of Columbia have now legalized adult-use and/or medical cannabis, cannabis remains illegal under U.S. federal law with cannabis listed as a Schedule I drug under the CSA.

Currently the Company only operates in the state of Nevada. The Company may expand into other states within the United States that have legalized cannabis use either medicinally or recreationally.

United States Regulatory Environment

U.S Federal Regulatory Environment

Under U.S. federal law, marijuana is currently a Schedule I drug. The CSA has five different tiers or schedules. A Schedule I drug means the DEA considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs are heroin, LSD and ecstasy. The Company believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Additionally, while some studies show cannabis is less harmful than alcohol, alcohol is not classified under the CSA.

Forty (40) states and the District of Columbia, have now legalized adult-use and/or medical marijuana. The federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the U.S. Department of Justice Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "**Cole Memo**") and FinCEN guidance in 2014.

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

- preventing the distribution of marijuana to minors;
- preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
- preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
- preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and,
- preventing marijuana possession or use on federal property.

In January 2018, the then United States Attorney General, Jeff Sessions, by way of issuance of a new U.S. Department of Justice Memorandum (the "**Sessions Memo**"), rescinded the Cole Memo and thereby created a vacuum of guidance for U.S. enforcement agencies and the DOJ. Rather than establish national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under State law, the Sessions Memo instructs that "[i]n deciding which marijuana activities to prosecute... with the [DOJ's] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions." Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.

Former United States Attorney General Sessions resigned on November 7, 2018, and was replaced by William Barr on February 14, 2019. On December 14, 2020, former President Trump announced that Mr. Barr would be resigning from his post as Attorney General, effective December 23, 2020. Merrick Garland, President Biden's nominee to succeed Mr. Barr, was sworn in as the current United States Attorney General on March 11, 2021. During his campaign, President Biden stated a policy goal to decriminalize possession of cannabis at the federal level, but he has not publicly supported the full legalization of cannabis. In response to questions posed by Senator Cory Booker, Merrick Garland stated during February 2021 congressional testimony that he would reinstitute a version of the Cole Memo. He reiterated the statement that the Justice Department under his leadership would not pursue cases against Americans "complying with the laws in states that have legalized and are effectively regulating marijuana", in written responses to the Senate Judiciary Committee provided around March 1. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland, will re-adopt the Cole Memo or announce a substantive marijuana enforcement policy. Justice Garland indicated at a confirmation hearing before the United States Senate that it did not seem to him to be a useful use of limited resources to pursue prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. It is unclear what specific impact the new Biden administration will have on U.S. federal government enforcement policy. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the Bank Secrecy Act. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, FinCEN has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses, so long as that business is legal in their state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The "**FinCEN Guidance**" also clarifies how financial institutions can provide services to marijuana-related businesses consistent with the Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk.

The customer due diligence steps include:

- verifying with the appropriate state authorities whether the business is duly licensed and registered;
- reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
- requesting from state licensing and enforcement authorities available information about the business and related parties;
- developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
- ongoing monitoring of publicly available sources for adverse information about the business and related parties;
- ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
- refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, cannabis businesses are often forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to cannabis businesses. Despite the attempt by FinCEN to legitimize cannabis banking, in practice its guidance has not made banks much more willing to provide services to cannabis businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each cannabis business they take on as a customer. Over the last 18 months, some banks that have been servicing cannabis businesses have been closing accounts operated by cannabis businesses and are now refusing to open accounts for new cannabis businesses for the reasons enumerated above.

The few credit unions who have agreed to work with cannabis businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government could change the banking laws as it relates to cannabis businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from cannabis businesses in a single day, while also servicing the need of their other customers. Those state-chartered banks and credit unions that do have customers in the cannabis industry charge marijuana businesses high fees to pass on the added cost of ensuring compliance with the FinCEN Guidance. Unlike the Cole Memo, however, the FinCEN Guidance from 2014 has not been rescinded.

The U.S. Treasury Department has publicly stated they were not informed of the then Attorney General Jeff Sessions' desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN Guidance for financial institutions. The former Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, publicly stated that he did not have a desire to rescind the FinCEN Guidance. The newly appointed Secretary of the Treasury, Janet Yellen, has not yet articulated an official Treasury Department position with regard to the FinCEN Guidance and thus as an industry best practice and consistent with its standard operating procedures, the Company adheres to all customer due diligence steps in the FinCEN Guidance.

Because the DOJ memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses have worked to continually renew the Rohrabacher-Blumenauer Amendment (originally the Rohrabacher-Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the DOJ from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625 - a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding.

An additional challenge to cannabis-related businesses is that the provisions of Section 280E of the Code are being applied by the IRS to businesses operating in the medical and adult use cannabis industry. Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

Another aspect of federal law is that it provides that cannabis and cannabis products may not be transported across state lines in the United States. As a result, all cannabis consumed in a state must be grown and produced in that same state. This dynamic could make it more difficult for the Company, in the short term, to maintain a balance between supply and demand. If excess cultivation and production capacity is created in any given state and this is not matched by increased demand in that state, then this could exert downward pressure on the retail price for the products the Company sells. If too many retail licenses are offered by state authorities in any given state, then this could result in increased competition and exert downward pressure on the retail price for the products the Company sells. On the other hand, if cultivation and production in a state fails to match growing demand then, in the short term, there could be insufficient supply of product in a state to meet demand and while the Company may be able to raise its prices there could be inadequate product availability in the short term, causing the Company's revenue in that state to fall.

Progressive federal legislation has been both introduced in the U.S. House of Representatives ("U.S. House") and received positive votes in recent years. On September 26, 2019, the U.S. House passed the Secure and Fair Enforcement Banking Act of 2019 (commonly known as the "**SAFE Banking Act**"), which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. On May 11, 2020, the U.S. House introduced the Health and Economic Recovery Omnibus Emergency Solutions Act (the "**HEROES Act**"), an economic stimulus package which included the language of the SAFE Banking Act. On September 28, 2020, the House introduced a revised version of the HEROES Act, including the text of the SAFE Act for a second time. The revised bill was passed by the U.S. House on October 1, 2020, before going to the Senate. On December 21, 2020, Congress reached a deal for a different \$900 billion stimulus package. On April 19, 2021, the U.S. House again passed the SAFE Banking Act. On July 14, 2022, the U.S. House voted to include the SAFE Act in the fiscal year 2023 defense budget bill (the 2023 National Defense Authorization Act - "**NDAA**"), but again, the U.S. Senate required the SAFE Act's removal from the NDAA. On April 23, 2023, Sen. Jeff Merkley (D-OR) and Sen. Steve Daines (R-MT), along with Rep. Dave Joyce (R-OH) and Rep. Earl Blumenauer (D-OR), reintroduced the SAFE Banking Act of 2023. While Congress may introduce and consider this and other legislation in the future that may address issues that are important to the Company, there can be no assurance of the content of any proposed legislation or that any pending legislation will ever be passed.

Further, the Marijuana Opportunity Reinvestment and Expungement Act, also known as the "**MORE Act**", is a proposal to legalize cannabis and expunge prior cannabis related convictions. On November 20th, 2019, the MORE Act was passed by the House Judiciary Committee, and although the U.S. House voted to pass the MORE Act on December 4, 2020, it failed to pass in the Senate prior to the end of the 2020 legislative session. There can be no assurance that it will be passed in its current form or at all.

The Joseph R. Biden Administration and balance of power in U.S. Congress may impact the likelihood of any legal developments regarding cannabis at the national level, including the passage of the SAFE Banking Act and the MORE Act, as well as potential executive action to clarify federal policy toward the industry, although it is uncertain whether and in what manner any such federal changes will occur. On a federal level, President Biden campaigned on a platform that included cannabis decriminalization. Democrats, who are generally more supportive of federal cannabis reform than Republicans, maintained their majority in the U.S. House, although at a smaller margin than initially expected, and have gained sufficient seats in the Senate to control a majority by a single vote. As of this writing, both the SAFE Banking and MORE Acts have yet to receive action in the U.S. Senate, however, in late 2020, incoming Senate Majority Leader Charles Schumer made comments on multiple occasions suggesting that passage of these bills and potential additional favorable federal legislation are on his agenda. The Company continues to monitor U.S. federal law and the law in all jurisdictions where it is active, with respect to (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law.

On July 21, 2022, U.S. Senate Majority Leader Chuck Schumer (D-NY), Senate Finance Committee Chairman Ron Wyden (D-OR) and Sen. Cory Booker (D-NJ) formally filed the Cannabis Administration and Opportunity Act ("**CAOA**"), a much-anticipated bill to federally legalize marijuana and promote social equity. On July 22, 2022, Assistant Democratic Leader Patty Murray (D-WA) and Sen. Gary Peters (D-MI) signed onto the CAOA. The CAOA would have legalized cannabis nationwide, ending federal prohibition and expunging records of some cannabis offenders, and it also lays out a framework to establish a federal cannabis tax and FDA regulations for cannabis products. The bill did not pass the U.S. Senate during the 2022 legislative session (i.e., the 117th Congress).

On January 17, 2023, U.S. Representative Gregory Steube (R-FL) introduced H.R. 610, the Marijuana 1-to-3 Act of 2023 ("**1-to-3 Act**"), which would direct the DEA to transfer marijuana from Schedule I to Schedule III. A Schedule III controlled substance is a drug, substance, or chemical that has less potential for abuse than a Schedule I or II substance; that has a currently accepted medical use; and that has low or moderate risk of dependence if abused. The 1-to-3 Act bill was referred to the Committee on Energy and Commerce, and the Committee on the Judiciary, for further consideration.

The following sections describe the legal and regulatory landscape in Nevada, the only state in which the Company currently operates. The Company believes that its operations are in full compliance with all applicable state laws, regulations and licensing requirements. Nonetheless, for the reasons described above and the risks further described under the heading "Risk Factors" herein, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained under the heading "Risk Factors" herein.

Nevada Regulatory Environment

Nevada Summary

Nevada has a medical marijuana program and passed an adult-use (21 and older) legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions, including severe pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments up until July 1, 2017, when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation ("**NDOT**"). In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based, competitive, and is currently closed. Nevada residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from certain other states to purchase medical marijuana from Nevada dispensaries. Nevada also allows dispensaries to deliver medical marijuana to patients.

Under Nevada's adult-use marijuana law, the NDOT licensed marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the Marijuana Enforcement Division of the NDOT. Until November 2018, applications to the NDOT for adult-use establishment licenses were being accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license.

In February 2017, the NDOT announced plans to issue "early start" adult use marijuana establishment licenses in the summer of 2017. These licenses, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana, and expired 90 days after January 1, 2018 (per Sec. 24 of LCB File No. T002-17). Starting July 1, 2017, medical and adult-use marijuana have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis have incurred an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

On January 16, 2018, the Marijuana Enforcement Division of the NDOT issued final rules governing its adult-use marijuana program, pursuant to which up to sixty-six (66) permanent adult-use marijuana dispensary licenses will be issued. Existing adult-use marijuana licensees under the "early start" regulations must re-apply for licensure under the permanent rules in order to continue adult-use sales.

In May of 2019, Governor Steve Sisolak signed into law Senate Bill 32, that increased transparency in the licensing process by releasing certain information about license applicants, as well as methods used to issue licenses. In June 2019, Governor Sisolak approved Assembly Bill 132 making Nevada the first state to ban employers from refusing to hire job applicants who test positive for marijuana during the hiring process.

As of August 23, 2019, as a result of discrepancies discovered in the application process by the State of Nevada, a court issued a partial preliminary injunction against the State of Nevada from moving forward with the numerous holders of provisional licenses awarded under the December 5, 2018, provisional license awards. In addition to the preliminary injunction, the State of Nevada and various intervenors remain subject to ongoing litigation.

In early 2019, Nevada legislature passed Nevada Assembly Bill 533 ("**AB 533**"), which authorized the formation of the Cannabis Compliance Board (the "**CCB**") to be vested with the authority to license and regulate persons and establishments engaged in cannabis activities within Nevada. The CCB consists of an executive director and five board members appointed by the Governor Steve Sisolak. Board members must have expertise in a range of fields, including financial and accounting, law enforcement, medicine, regulatory and legal compliance, and cannabis. AB 533 also established the Cannabis Advisory Commission (the "**CAC**") which serves to study cannabis-related issues and make recommendations to the CCB. The CAC consists of 12-members appointed by the governor representing relevant state agencies and members of the cannabis industry and the public. Pursuant to AB 533, the CCB is mandated with studying the feasibility and safe implementation of licensing for lounges, in addition to their general authority and oversight of cannabis operations in Nevada. The CCB held its first meeting in July 2021, and regularly meets regarding public health and safety, license suspensions, and has been holding public workshops regarding cannabis consumption lounges.

Nevada Regulatory Framework

Nevada Revised Statutes 678C and 678D regulate the Medical and Adult Use of cannabis in Nevada. Nevada Administrative Code 453D provides a regulatory framework that outlines the function of the CCB Marijuana program. Subsections of this chapter outline licensing and enforcement guidelines which guide the CCB.

Nevada Licensing Requirements

Licenses issued by CCB can be renewed annually so long as the licensee continues to demonstrate compliance with local and state law and pays the renewal fee. Dispensary/Retail store licenses have a set statutory "cap" (per NRS 453D.210 & NRS 453A.324), other license types do not. Moreover, statutory license caps can only be changed by the Nevada legislature, which meets bi-annually. Marijuana businesses in Nevada may also be governed by local ordinances, which can include caps on the number of marijuana businesses, zoning limitations, and additional screening of business owners and investors. Applicants must demonstrate (and license holders must maintain) that: (i) they are registered with the Nevada Secretary of State to do business in Nevada, (ii) they have contributed to the advancement of the State of Nevada via regular tax payments, (iii) they do not have interests in the Casino or Alcohol industries, (iv) they have the operational expertise required by the individual license type, demonstrated by submission of an operation plan, (v) they have the ability to secure the premises, resources, and personnel necessary to operate the license, (vi) they have the ability to maintain accountability of all cannabis and cannabinoid products and by-products via the state mandated "seed-to-sale" CTS to prevent diversion or unlawful access to these materials, (vii) they have the financial ability to maintain operations for the duration of the license, (viii) all owners have passed background screening, inclusive of fingerprinting, and (ix) all local land use, zoning, and planning notices have been followed in the development of the licensed site.

Nevada Security Requirements

A licensee must maintain a fully operational alarm and video monitoring system at all times. The alarm system must secure all points of ingress and egress and be equipped with motion detectors. The 24-hour video surveillance system must record at a high-resolution format approved by the CCB and have camera coverage which covers all areas of the facility without any blind spots. Video footage must be backed-up for a minimum of 30 days in hard-form. Cultivation and product manufacturing sites are not open to the public.

Nevada Transportation and Storage Requirements

Cannabis and cannabis goods must be stored in a lockable safe or vault at any time that employees are not on location. Any storage container that is large enough to allow an employee to walk into it must have cameras placed inside. Goods to be transported to another licensee must be fully manifested via the state mandated "seed-to-sale" CTS prior to being transported.

Nevada Department of Taxation Inspections

The CCB conducts announced and unannounced inspections of all licensed facilities to determine compliance with laws and rules. The CCB will inspect a licensee in the event of a complaint indicating that the licensee has or is actively violating existing statute. The CCB will also inspect at the time of any modification, as well as at the time of annual renewal.

Nevada Product Testing and Packaging Requirements

Both medical and adult-use marijuana and marijuana products are subject to stringent testing and packaging requirements. Before usable marijuana, concentrated marijuana, or marijuana products may be packaged for further processing or for transfer to a dispensary or retail store, an independent testing laboratory licensed by the CCB must collect samples from each homogenized lot or production run for testing. These samples are tested by the independent testing laboratory for compliance with specified limits on contaminants such as yeast and mold, heavy metals and pesticides, and microbes. Testing is also done to determine the potency of the sample. Cultivation and product manufacturing facilities are also subject to random quality assurance compliance testing at the discretion of the CCB. Generally, if a sample fails any of the tests conducted by the testing laboratory, the entire lot or production run must be destroyed.

All marijuana or marijuana products intended to be sold to consumers must be individually packaged, sealed, and labeled. Edible products must be packaged in opaque, child-resistant containers. Depending on the type of marijuana product, the CCB places limit on the amount of THC that a single package of marijuana may contain or the number of ounces of product a package may contain. All packages of marijuana or marijuana product sold to consumers must have detailed labels that include, inter alia, various warnings about the effects and risks of marijuana use; the name, license number, and contact information of the dispensary or retail store conducting the sale; the name and license number of the cultivation or product manufacturing facility that harvested or produced the marijuana or marijuana product; the potency levels of the marijuana or marijuana product; and the date the marijuana or marijuana product was harvested or produced.

Public Opinion

The increase in state legalization of cannabis use is largely a result of changing public opinion in the United States. According to an October 2017 poll conducted by Gallup, 64% of Americans think that the use of cannabis should be made legal, the highest level in the 48 years that Gallup has conducted the poll. Further, in the 2016 Gallup poll, support among adults aged 18 to 34 increased from 35% to 77% between 2005 and 2016 and support among adults aged 35 to 54 increased from 35% to 61% over the same period. According to an April 2017 Quinnipiac University Poll, 94% of U.S. voters support the medical use of cannabis if recommended by a physician. An April 2021 Pew Research Center poll found that 91% of U.S. voters support legal marijuana for either medical or recreational use; only 8% of U.S. voters say marijuana should not be legal for use by adults. As of July 21, 2022, by a margin of more than 2 to 1, Americans favor a federal mandate legalizing the adult use of marijuana nationwide, according to polling data compiled by The Economist and YouGov.com. Based on a Pew Research Center survey conducted October 10-16, 2022, 88% of U.S. adults say either that marijuana should be legal for medical and recreational use by adults (59%) or that it should be legal for medical use only (30%), and only 10% say marijuana use should not be legal.

Industry Outlook

Due to increases in state legalization and shifting public opinion, state-legal cannabis industry sales have grown substantially in recent years. According to a recent study by Marijuana Business Daily ("MJBiz"), a division of Emerald X, LLC, and leading business-to-business industry resource, legal sales of marijuana are expected to reach \$38 billion by the end of 2024, a 12% increase over 2023's total of \$34 billion. By 2026, MJBiz estimates annual sales will exceed \$52 billion.

E. Critical Accounting Estimates

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and judgments.

Areas requiring a significant degree of estimation and judgment relate to the determination of business combinations, impairment of long-lived assets and inventory, fair value measurements, useful lives, depreciation and amortization of property, equipment and intangible assets, the recoverability and measurement of deferred tax assets and liabilities and share-based compensation.

i. Business combinations

Judgment is used in determining whether the Company's acquisition is considered a business combination or an asset acquisition. Additionally, judgment is required to assess whether any amounts paid on the achievement of agreed upon milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration arising from an acquisition should be classified as a liability or equity. Contingent consideration classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement by the Company is accounted for within equity. Contingent consideration classified as a liability is remeasured at reporting period ends in accordance with the Company's accounting policies for financial liabilities.

ii. Assets and liabilities held for resale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Judgment is required in the estimation of fair value less costs to sell of assets and liabilities held for sale. The comparative consolidated balance sheet is re-presented to classify assets as held for sale in the period that the respective assets are classified as held for sale.

iii. Income taxes and deferred tax assets/liabilities

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management applies judgment in determining the likelihood that deferred tax assets may or may not be realized. As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

The Company recognizes uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within income tax expense in the consolidated statements of comprehensive income. Management applies judgment in the determination of whether an uncertain tax position has a 50% likelihood of being sustained.

iv. Impairment of long-lived assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of carrying value and fair value less costs of disposal. Determining the recoverable amount requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Irrespective of indicators of impairment, management conducts an annual impairment test of goodwill by comparing its recoverable amount to its carrying amount. For the years ended January 31, 2024, and 2023, the recoverable amount of goodwill allocated to the Nevada reporting unit exceeded its carrying amount and as such, no impairment was noted.

v. Inventories

Inventory consists of raw materials, consumables and packaging supplies used to prepare inventory for sale, work in process consisting of pre-harvested cannabis plants, by products to be extracted, oils and terpenes, and finished goods. Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method. The net realizable value of inventory represents the estimated selling price for inventory in the ordinary course of business, less all estimated costs of completion and selling costs. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, demand for inventory, and expected selling price, reserves, if any, for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans and expected market conditions.

vi. Fair value measurements

Certain assets and liabilities held by the Company are measured at fair value. In measuring fair value, management estimates the price at which assets or liabilities could be exchanged between knowledgeable, willing parties in an orderly transaction. The Company uses market-observable data to the extent that such data is available. The Company follows the fair value hierarchy, utilizing Level 1, Level 2, or Level 3 inputs depending on their availability. In situations where Level 1 inputs are not available, the Company makes an estimate or engages qualified, third-party valuers to perform the valuation.

vii. Estimated useful lives and depreciation and amortization of property, equipment and intangible assets

The Company's depreciation and amortization of property, equipment and intangible assets are dependent on the estimation of the assets' useful lives, which requires management to exercise judgment. The Company's assessment of any impairment of assets is dependent on its estimation of recoverable amounts that consider various factors, including market and economic conditions and the assets' useful lives.

viii. Share-based compensation

The Company uses the Black-Scholes option pricing model to measure share-based compensation. The Company's estimate of share-based compensation is dependent on measurement inputs including the share price on measurement date, exercise price of the option, volatility, risk-free rate, expected dividends, and the expected life.

ix. Convertible notes

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management.

x. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recorded initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent measurement depends on how the financial instrument has been classified and may be at fair value or amortized cost. For financial instruments subsequently measured at fair value, the Company calculates the estimated fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models including the Black-Scholes option pricing model.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

Level 3 - Inputs that are not based on observable market data.

There have been no transfers between fair value hierarchy levels during the years ended January 31, 2024, and 2023.

The Company's measures the derivative liability at fair value using Level 3 inputs.

The Company's cash, receivables, accounts payable and accrued liabilities, and income taxes payable are recorded at cost. The carrying values of these financial instruments approximate their fair value due to their short-term maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Financial instruments subsequently measured at amortized cost include promissory note payable, and reclamation obligation.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The size of the Company's Board is currently set at four. The Company's directors are elected annually by the shareholders and hold office until the net annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the BCBCA and the Company's articles of incorporation. The Company's current directors and officers, and their respective current positions, are as follows:

Name	Position
Sonny Newman	President and Chief Executive Officer.
Michael Kidd	Chief Financial Officer, Corporate Secretary and Director.
Aron Swan	Chief Operating Officer
Todd Harrison	Director, Audit Committee Member and Corporate Governance and Compensation Committee Member
D. Bruce Macdonald	Chairman of the Board, Director, Audit Committee Member, Corporate Governance and Compensation Committee Member and Financial Expert.
Leonard (Will) Werden	Director, Audit Committee Member, and Corporate Governance and Compensation Committee Member.

The following is biographical information on our directors and officers who are acting in the capacity of director or officer as of the date hereof:

Sonny Newman, Chief Executive Officer, and President. Sonny Newman is the founder of Silver State Relief and Silver State Cultivation in Nevada, and has several other companies in electronics, manufacturing, electronics distribution, real estate development and an investment company. Mr. Newman was the sole owner of the Silver State companies when they were purchased by the Company in 2019 and today controls the largest shareholder of the Company. Mr. Newman's proven operational and financial discipline in the cannabis and other sectors shows his ability to build solid teams and make strategic investments into opportunistic markets.

Michael Kidd, Chief Financial Officer, Corporate Secretary and Director. A native of Vancouver with international experience, Mr. Kidd brings an extensive background in finance with privately held firms in a variety of industries ranging from forestry to online retailing. Before joining the Company, Mr. Kidd was Chief Operating Officer and Chief Financial Officer at a privately held leading distributor with operations in Canada and Dubai. Mr. Kidd graduated from the University of British Columbia with a Bachelor of Commerce and is a Certified Public Accountant (Chartered Accountant).

Aron Swan, Chief Operating Officer. Mr. Swan has been the long-standing head of operations for the Silver State Relief and Silver State Cultivation companies. Mr. Swan brings a breadth of experience in manufacturing, supply chain, and technology. Before joining the Company, Mr. Swan was Chief Information Officer at a prominent electronics manufacturer and has held other senior supply chain and operations roles. Mr. Swan holds a Bachelor of Science in Logistics Management and an MBA, both from the University of Nevada.

Todd Harrison, Director. Mr. Harrison brings a wealth of knowledge and insight to the Company's Board, both through his near 30 years on Wall Street as VP at Morgan Stanley to President of Cramer Berkowitz, as well as through his current role as Chief Investment Officer of CB1 Capital Management. He is also an author and Emmy award-winning executive producer for his work at financial media company, Minyanville. Mr. Harrison founded CB1 Capital Management in 2017 - an investment advisory firm that invests in stocks focused on cannabinoid-based wellness solutions and other cannabis-based bio-pharmaceutical applications, therapies, and other use-cases. Mr. Harrison has lectured at numerous academic institutions, has appeared on CNBC, CNN, FOX, Bloomberg TV, and has been featured across numerous publications and platforms. Mr. Harrison has a Bachelor of Science degree in Finance from Syracuse University.

D. Bruce Macdonald, Chairman of the Board and Director. Mr. Macdonald is a seasoned senior executive with more than 35 years of experience in financial services including extensive expertise in the capital markets sector. He has an impressive track record of leading innovative new business ventures in support of global growth strategies. Mr. Macdonald has exceptional expertise in building risk management and corporate governance control environments. Further, he serves on the boards of several Canadian corporations and associations and holds an ICD.D designation from the Institute of Corporate Directors.

Leonard (Will) Werden, Director. Mr. Werden has over 30 years of experience in global horticulture cultivation. He specializes in outdoor and indoor grow practices, facilities construction and design, lighting systems and practices, temperature and humidity control, and genetic strain selection. Having overseen large-scale grow operations with state-of-the-art technology, Mr. Werden brings a wealth of valuable knowledge to the Company. Mr. Werden was formerly a certified Millwright for over 30 years, and has been involved in numerous projects, including the Cyclotron Project for TRIUMF (Canada's national laboratory for particle and nuclear physics) at the University of British Columbia. Mr. Werden was also former CEO of Seashore Organic Marijuana Corp. (which transitioned to Veritas Pharma Inc.) until February 2016.

B. Compensation

Compensation Discussion and Analysis

Process for Determining Executive Compensation

To determine compensation payable, the Corporate Governance and Compensation Committee will generally review compensation paid for directors, CEOs and CFOs (or persons acting in a similar capacity to a CEO or a CFO) of companies of similar size and stage of development in the cannabis industry and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting the compensation, the independent director will annually review the performance of the CEO and the CFO in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

Compensation Policies and Risk Management

The Board has not proceeded to an evaluation of the implications of the risks associated with the Company's compensation policies and practices.

The Company has not retained a compensation consultant during or subsequent to the most recently completed financial year.

The Company does not use a specific "benchmark group" to determine executive compensation levels.

Total compensation for executive officers includes consulting fees, long-term incentive stock options and performance milestone payments.

Hedging of Economic Risks in the Company's Securities

The Company has not adopted a policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by directors or officers. The Company is not, however, aware of any directors or officers having entered into this type of transaction.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to its executive officers at, following, or in connection with retirement.

Compensation for Year Ending January 31, 2024

The following table sets forth all annual and long-term compensation for services in all capacities to the Company for the most recently completed financial year of the Company ending on January 31, 2024, in respect of each of the individuals comprised of the Company's directors and members of its administrative, supervisory and management bodies for services provided by such persons to the Company and its subsidiaries. During the year ended January 31, 2024, the Company paid aggregate remuneration to its directors and officers as a group who served in the capacity of director or executive officer during such year of US\$725,306

Name and principal position	Salary, Consulting Fees, Retainer or Commission	Share-based awards	Option-based awards	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
				Annual incentive plans	Long-term incentive plans			
Sonny Newman President and Chief Executive Officer	\$ 200,000	Nil	Nil	Nil	N/A	N/A	-	\$200,000
Michael Kidd Chief Financial Officer, Corporate Secretary and Director	\$ 164,538 ⁽¹⁾	Nil	7,378	Nil	N/A	N/A	-	\$171,916
Aron Swan Chief Operating Officer	\$ 287,000	Nil	Nil	Nil	N/A	N/A	-	\$287,000
Todd Harrison Director	\$ 65,000	Nil	7,378	Nil	N/A	N/A	-	\$72,378
D. Bruce Macdonald Chairman of the Board and Director	Nil	Nil	7,378	Nil	N/A	N/A	-	7,378
Leonard (Will) Werden Director	Nil	Nil	Nil	Nil	N/A	N/A	-	Nil

(1) Michael Kidd was not paid any compensation for his role as director of the Company.

C. Board Practices

The Board currently consists of four directors. Two of the four current members of the Board are considered independent directors using the definition set forth in Section 803A of the NYSE American Company Guide. The independent directors are D. Bruce Macdonald and Leonard Werden. Todd Harrison is not an independent director as he controls CBI, a company which is engaged as a consultant to the Company. Michael Kidd is not an independent director as he is an executive officer of the Company. The size of the Company is such that all the Company's operations are conducted by a small management team. The Board considers that management is effectively supervised by the independent director on an informal basis as the independent director is involved in reviewing and supervising the operations of the Company and has full access to management.

The directors of the Company are elected annually by the shareholders and hold office until the next annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the BCBCA and the Company's articles of incorporation.

The mandate of the Board, as prescribed by the BCBCA, is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs directly and through its various committees. In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving the Company's overall business strategies, reviewing and approving significant acquisitions and capital investments; reviewing major strategic initiatives to ensure that the Company's proposed actions accord with shareholder objectives; reviewing succession planning; assessing management's performance against industry standards; reviewing and approving the reports and other disclosure issued to shareholders; ensuring the effective operation of the Board; and safeguarding shareholders' equity interests through the optimum utilization of the Company's capital resources.

The Board is responsible for identifying individuals qualified to become new members of the Board and recommending to the Board, new director nominees for the next annual meeting of shareholders. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the required time, show support for the Company's mission and strategic objectives, and a willingness to serve.

The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable. At this stage of the Company's development, the Board does not believe it is necessary to adopt a written mandate, as sufficient guidance is found in the applicable corporate legislation and regulatory policies. However, as the Company grows, the Board may determine it is appropriate to develop a formal written mandate.

In keeping with its overall responsibility for the stewardship of the Company, the Board is responsible for the integrity of the Company's internal control and management information systems and for the Company's policies respecting corporate disclosure and communications.

Each member of the Board understands that he is entitled, at the cost of the Company, to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances. No director found it necessary to do so during the financial year ended January 31, 2024.

The Board does not, and does not consider it necessary to, have any formal structures or procedures in place to ensure that it can function independently of management. The Board of the Company briefs all new directors with respect to the policies of the Board and other relevant corporate and business information. The Board does not provide any continuing education.

The Board regularly monitors the adequacy of information given to directors, communications between the Board and management and the strategic direction and processes of the Board and its committees.

Directorships

The current directors of the Company are not presently directors of other reporting issuers in Canada or elsewhere. Other than by virtue of being an officer, there are no termination benefits for directors who serve on the Board.

Orientation and Continuing Education

The Company does not have formal orientation and training programs and does not consider these programs necessary at this stage of the Company's development. Board members are encouraged to communicate with management, auditors and technical consultants in order to keep themselves current with industry trends and developments and changes in legislation with management's assistance. Board members are also encouraged to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Ethical Business Conduct

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders. The Company's reputation for integrity is an important asset. The Company has always set high standards of personal and business integrity for its employees and intends to continue to conduct its business in accordance with those high standards. It is expected that the Company's business conduct and the personal actions of its employees reflect the spirit and intent of the laws under which the Company operates, and its employees live. Common sense and judgment supported by a deeply ingrained tradition of integrity provide the Company's foundation.

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the level of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Company also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict-of-interest provisions of the BCBCA as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Nomination of Directors

The Board as a whole has responsibility for identifying potential Board candidates. The Board has not formed a nominating committee or similar committee to assist the Board with the nomination of directors for the Company. Each of the directors has contacts he can draw upon to identify new members of the Board as needed from time to time.

The Board will continually assess its size, structure and composition, taking into consideration its current strengths, skills and experience, proposed retirements and the requirements and strategic direction of the Company. As required, directors will recommend suitable candidates for consideration as members of the Board.

Board Committees - Audit Committee; Corporate Governance and Compensation Committee

The current Company committees include the Audit Committee and Corporate Governance and Compensation Committee. The Board has no other standing committees.

The Company's Audit Committee has a charter. The primary function of the Audit Committee is to assist the Board in fulfilling its financial oversight responsibilities by reviewing (1) the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, (2) the Company's systems of internal controls regarding finance and accounting, and (3) the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels. As at the date of this Annual Report, the following Board members sit on the Audit Committee, all of which are financially literate: Leonard (Will) Werden, D. Bruce Macdonald and Todd Harrison. D. Bruce Macdonald is the Chair of the Audit Committee.

The Corporate Governance and Compensation Committee exercises the powers and carries out the obligations provided for in its mandate and in accordance with applicable regulatory standards and requirements and has the responsibility for determining director and senior management compensation. As at the date of this Annual Report, the following Board members sit on the Corporate Governance and Compensation Committee: Leonard (Will) Werden, D. Bruce Macdonald and Todd Harrison. D. Bruce Macdonald is the Chair of the Corporate Governance and Compensation Committee.

To determine compensation, the Corporate Governance and Compensation Committee reviews compensation paid for directors and CEOs (or persons acting in a similar capacity to CEO, such as Presidents) of companies of similar size and stage of development in the cannabis industry and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management, while taking into account the financial and other resources of the Company. In setting the compensation, the Corporate Governance and Compensation Committee annually reviews the performance of the CEO (or President) in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives. Further information regarding director compensation appears above under "Compensation - Compensation Discussion and Analysis".

Assessments

The Board does not consider that formal assessments would be useful at this stage of the Company's development. The Board conducts informal annual assessments of the Board's effectiveness, the individual directors and its Audit Committee. To assist in its review, the Board conducts informal surveys of its directors.

D. Employees

The following outlines the number of employees of the Company for the last three fiscal years, categorized by activity (operations or corporate) and geographic location (Vancouver, B.C., Oregon or Nevada):

Financial Year Ended	Vancouver Employees	Oregon Employees	Nevada Employees	Operations Employees	Corporate Employees	Total
January 31, 2024	1	nil	113	110	4	114
January 31, 2023	1	nil	109	106	4	110
January 31, 2022	1	15	119	130	5	135

E. Share Ownership

Share Capital

The Company is authorized to issue an unlimited number of common shares. As of the date of this Annual Report, there are 120,047,814 common shares issued and outstanding. The holders of the common shares are entitled to one vote per share at all meetings of the shareholders of the Company. The holders of common shares are also entitled to dividends, if and when declared by the Board and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company.

The following table sets forth the share ownership of the persons set forth in the Compensation table at Item 6.B above, as of the date of this Annual Report:

Names and Principal Position	No. of Shares Held	Percentage Ownership (capital and voting)	Percentage of holding on a fully diluted bases (capital and voting)
Sonny Newman, President and Chief Executive Officer	12,500,000	10.4%	10.3%
Michael Kidd, Chief Financial Officer and Director	38,055	0.0%	0.0%
Aron Swan, Chief Operating Officer	1,000	0.0%	0.0%
Todd Harrison, Director	250,000	0.2%	0.2%
D. Bruce Macdonald, Chairman of the Board and Director	1,440,000	1.2%	1.2%
Leonard (Will) Werden, Director	265,000	0.2%	0.2%

Stock Option Plan

On February 23, 2018, the Board adopted a 10% rolling stock option plan, as amended on July 9, 2021 (the "**Option Plan**"). The Option Plan provides that, subject to the requirements of the CSE, the aggregate number of common shares reserved for issuance pursuant to options granted under the Option Plan will not exceed 10% of the number of common shares that are issued and outstanding from time to time, less the aggregate number of common shares then reserved for issuance pursuant to any other equity compensation arrangement. The Option Plan is administered by the Board, which has full and final authority with respect to the granting of all options thereunder subject to the express provisions of the Option Plan. Options may be granted under the Option Plan to such directors, officers, employees or consultants of the Company and its subsidiaries as the Board may from time to time designate. The Option Plan is used to provide share purchase options to be granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board takes into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of CSE, and closely align the interests of the executive officers with the interests of shareholders of the Company. The directors of the Company are also eligible to receive stock option grants under the Option Plan, and the Company applies the same process for determining such awards to directors as with executive officers. The exercise prices for options is determined by the Board, but shall not, in any event, be less than the greater of the closing market price of the listed security on the CSE on the trading day prior to the date of grant, and the closing market price on the date of grant, of the options. The Option Plan provides for a cashless exercise feature which allows an option holder to exercise its vested options without paying the exercise price in cash, and in return, the Company will deliver the number of common shares to such option holder equal to the value of the options that are "in-the-money" (i.e. the market price of the common shares on the date of exercise less the exercise price of the respective options). Options may be granted for a maximum term of 10 years. The Option Plan provides that the number of common shares which may be reserved for issuance on a yearly basis to any one person under the Option

Plan and any other equity compensation arrangement shall not exceed 5% of the outstanding common shares at the time of the grant. Moreover, the number of common shares which may be reserved for issuance on a yearly basis to any one consultant under the Option Plan and any other equity compensation arrangement shall not exceed 2% of the outstanding common shares at the time of the grant, and, unless the Company has received disinterested shareholder approval to do so pursuant to the policies of the CSE, the number of Common Shares reserved for issuance to insiders under the Option Plan and any other equity based compensation arrangement shall not exceed 10% of the outstanding common shares at the time of the grant.

As of January 31, 2024, there were 1,100,000 options outstanding to purchase common shares of which 1,100,000 had vested. As of the date of this Annual Report there were 6,525,000 options outstanding to purchase common shares of which 2,908,152 had vested.

The following table sets forth the options, exercisable into common shares, owned by the persons set forth in the Compensation table at Item 6.B above, as of the date of this Annual Report:

Names and Principal Position	No. of Options Held	No. of Shares Underlying the Options	Option Strike Price (C\$)	Option Expiration Date
Sonny Newman, President and Chief Executive Officer	500,000	500,000	0.53	May 13, 2027
Michael Kidd, Chief Financial Officer and Director	200,000	200,000	0.70	Feb 10, 2025
	350,000	350,000	0.53	May 13, 2027
Aron Swan, Chief Operating Officer	1,500,000	1,500,000	0.53	May 13, 2027
Todd Harrison, Director	500,000	500,000	1.00	Oct 24, 2024
	250,000	250,000	0.53	May 13, 2027
	200,000	200,000	0.70	Feb 10, 2025
D. Bruce Macdonald, Chairman of the Board and Director	750,000	750,000	.053	May 13, 2027
	200,000	200,000	0.70	Feb 10, 2025
Leonard (Will) Werden, Director	100,000	100,000	0.53	May 13, 2027

A copy of the Option Plan is incorporated by reference into this Annual Report as [Exhibit 4.1](#).

Restricted Share Unit Plan

On July 17, 2018, the Board adopted a restricted share unit plan (the "**RSU Plan**"). The RSU Plan provides for the grant of the right to acquire fully paid and non-assessable common shares ("**Restricted Share Units**" or "**RSUs**"), as applicable, in accordance with the terms of the RSU Plan to participants ("**Participants**"), being part-time or full-time employees or consultants of the Company or certain related entities. The maximum aggregate number of Common Shares issuable under the RSU Plan is 750,000 common shares.

The aggregate number of common shares issuable to insiders pursuant to Restricted Share Units and all other security-based compensation arrangements, at any time, shall not exceed 10% of the total number of common shares then outstanding. The aggregate number of common shares issued to insiders pursuant to Restricted Share Units and all other security-based compensation arrangements, within a one-year period, shall not exceed 10% of the total number of common shares then outstanding. The aggregate number of common shares reserved for issuance upon the exercise of Restricted Share Units to any one person or entity within any one-year period under all security based compensation arrangements shall not exceed 5% of the total number of common shares then outstanding.

The Board will determine the period of time during which a Restricted Share Unit is not vested and the Participant holding such Restricted Share Unit remains ineligible to receive common shares (the "**Restricted Period**") applicable to such Restricted Share Units. In addition, at the sole discretion of the Board, at the time of grant, the Restricted Share Units may be subject to performance conditions to be achieved by the Company, a class of Participants or by a particular Participant on an individual basis, within a Restricted Period, for such Restricted Share Units to entitle the holder thereof to receive the underlying common shares. Upon the expiry of the applicable Restricted Period (or on the deferred payment date (as described below), as applicable), a Restricted Share Unit shall be automatically settled and the underlying Common Share shall be issued to the holder of such Restricted Share Unit, which Restricted Share Unit shall then be cancelled. Any Restricted Share Unit which has been granted under the RSU Plan and which has been settled and cancelled in accordance with the terms of the RSU Plan will again be available under the RSU Plan.

Participants who are (i) employees; (ii) residents of Canada for the purposes of the *Income Tax Act* (Canada); and (iii) not subject to the provisions of the Internal Revenue Code may elect to defer to receive all or any part of their common shares until one or more deferred payment dates, which is the date after the Restricted Period, which is the earlier of (i) the date which the Participant has elected to defer receipt of common shares; and (ii) the date the Participant retires from employment with the Company or related entity. No other Participants may elect a deferred payment date.

As of January 31, 2024, there were no RSUs outstanding to purchase common shares.

A copy of the RSU Plan is incorporated by reference into this Annual Report as [Exhibit 4.2](#).

Warrants

As of January 31, 2024, there were 1,200,000 warrants outstanding to purchase common shares. As at the date of this Annual Report there were 4,000,000 warrants outstanding to purchase common shares.

The following table sets forth the warrants, exercisable into common shares, owned by the persons set forth in the Compensation table at Item 6.B above, as of the date of this Annual Report:

Names and Principal Position	Allotment Date	Expiration Date	Exercise Price (C\$)	Total
Sonny Newman, President and Chief Executive Officer	N/A	N/A	N/A	Nil
Aron Swan, Chief Operating Officer	N/A	N/A	N/A	Nil
Michael Kidd, Chief Financial Officer and Director	N/A	N/A	N/A	Nil
Todd Harrison, Director	N/A	N/A	N/A	Nil
D. Bruce Macdonald, Chairman of the Board and Director	N/A	N/A	N/A	Nil
Leonard (Will) Werden, Director	N/A	N/A	N/A	Nil

For further information, see Management's Discussion and Analysis, attached hereto as [Exhibit 15.1](#), and incorporated by reference herein.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The Company's securities are recorded on the books of its transfer agent, Computershare, in registered form. The majority of such shares are, however, registered in the name of intermediaries such as brokerage houses and clearing houses on behalf of their respective clients. The Company does not have knowledge of the beneficial owners thereof.

To the best of the Company's knowledge, there are no persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, securities carrying more than 5% of the voting rights attached to any class of voting securities of the Company, other than the Company's President and Chief Executive Officer, Sonny Newman, through his control of The Newman Family 1999 Trust (the "**Trust**"), and Nomura Holdings, Inc. (the "**Nomura**") which trades on NYSE.

The Trust obtained 12,500,000 common shares as a result of the Company's acquisition of 100% of the membership interests of both Silver State Relief LLC and Silver State Cultivation LLC, which are Nevada limited liability companies, on January 15, 2019.

Nomura purchases shares in the open market and as of December 31, 2023, holds 8,373,430 common shares, according to the Schedule 13G beneficial ownership report filed by Nomura with the SEC on February 14, 2024.

The securities held by the Trust and Nomura do not have different voting rights from those of the other securityholders of the same class of securities.

The following table shows the record and, where known to us, the beneficial ownership of our shares by each shareholder holding at least 5% of the common shares of the Company as at the date of this report. As used herein, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Exchange Act.

Name of Shareholder	No. of Shares Held	Percentage of Issued Shares
The Newman Family 1999 Trust	12,500,000	10.4%
Nomura Holdings, Inc.	8,373,430	7.0%

The Company is not owned directly or indirectly by another corporation, foreign government or any other natural person. There are no arrangements known to the Company, the operation of which may result in a change of control of the Company.

B. Related Party Transactions

Promissory Note to Sonny Newman

During the year ended January 31, 2024, the Company made payments totaling \$2.03 million to Sonny Newman, the President and Chief Executive Officer of the Company in connection with the Newman Note. As at January 31, 2024, the outstanding balance of the Newman Note was \$nil, and is \$nil as of the date of this Annual Report. See Item 4.A. "Completed Acquisitions and Dispositions - Silver State Cultivation LLC and Silver State Relief LLC - Nevada, USA - Promissory Note to Sonny Newman."

Swell Earn-Out Share Cancellations

Pursuant to the Swell Purchase Agreement, individual vendors were entitled to receive 6,000,000 Earn-Out Shares.

On February 13, 2023, and various subsequent dates in February and March 2023, C21 entered into the Cancellation Agreements in connection with the Swell Earn-Out share entitlements with a majority of the Swell Vendors. C21 agreed to collectively pay cash in the amount of \$575,136 in exchange for their entitlement to redeem 4,792,800 Swell Earn-Out Shares.

Consulting Agreement with CB1

On September 1, 2019, the Company entered into a Consulting Services Agreement (the "**Consulting Agreement**") dated September 1, 2019, between the Company and CB1, a Delaware limited liability company. The Company engaged CB1 for a 1-year term, which may be extended for successive 1-year terms by mutual agreement of the parties, to provide strategic and business development advice in exchange for: (a) a \$20,000 monthly consulting fee paid by the Company to CB1; (b) an option award of 500,000 shares of common stock of the Company at an exercise price equal to C\$1.00 per share, exercisable for five years, but in no event greater than 12 months after the end of the termination of the Consulting Agreement; and (c) an origination fee related to loans or investments that arise from opportunities originated by CB1 equal to one percent of the total amount of any such loan or investment. Effective February 1, 2022, the monthly consulting fee was changed to \$10,000 and the agreement terminates on March 31, 2023. Effective April 1, 2023, the monthly consulting fee was changed to \$7,500 and effective October 1, 2023, the monthly consulting fee changed to \$5,000. The agreement terminates on September 30, 2024. Mr. Harrison is a principal of CB1. On January 28, 2021, Mr. Harrison was named to the Company's Board of Directors. The Consulting Services Agreement remains in effect as of the date of this Annual Report.

For further information, see Management's Discussion and Analysis, attached hereto as [Exhibit 15.1](#), and incorporated by reference herein.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Financial Statements

See Item 18 "Financial Statements" for our Annual Audited Consolidated Financial Statements, related notes and other financial information filed with this Annual Report.

Legal Proceedings

Oregon Action

A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "**Plaintiffs**"), alleging contract, employment, and statutory claims, alleging \$612,500 in damages (as amended), against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee (the "**Oregon Action**"). The Company and the other defendants wholly denied the allegations and claims made in the lawsuit and are defending the lawsuit. On June 21, 2019, the Company filed Oregon Rule of Civil Procedure ("**ORCP**") 21 motions to dismiss all of the Plaintiffs' claims against it, its wholly owned subsidiaries, and other defendants. On December 30, 2019, plaintiffs filed an amended complaint dismissing the Company (and some of its directors and subsidiaries) from the case and reducing the amount in controversy in the Oregon Action. On May 6, 2020, the court granted the Company's ORCP 21 motions in its entirety to dismiss all of Plaintiffs' claims against the remaining defendants. The judgment of dismissal was entered by the Clackamas County court on or about October 14, 2020.

On October 22, 2020, the Company submitted a petition to recover the costs and attorney fees incurred by the Company as the prevailing party in the Oregon Action. On January 20, 2021, the Court ruled in the Company's favor, awarding the Company and its subsidiaries \$68,195.00 in attorney's fees, \$1,252 in costs, and a statutory prevailing party fee of \$640, through a supplemental judgment, entered on February 2, 2021. The judgment in favor of the Company remains unpaid and continues to collect interest at the statutory rate of 9% per annum.

On November 12, 2020, the plaintiffs appealed the order dismissing the claims alleged in their amended complaint. On March 2, 2021, the plaintiffs amended their appeal to also appeal the award of attorney fees and costs.

On October 26, 2022, the Court of Appeals issued its decision, reversing the general and supplemental judgments in favor of the Company and remanding the case to the trial court for further proceedings. The Company filed a petition for reconsideration of the Court of Appeals decision on December 7, 2022, which was denied.

On April 19, 2023, the Company filed a petition for review in the Oregon Supreme Court which was also denied.

On November 1, 2023, the Court of Appeals issued an appellate judgment and supplemental judgment that reversed the October 14, 2020, general judgment of dismissal and remanded the case back to the trial court as to Phantom Brands, LLC, Swell Companies Limited, and two former Company employees. By operation of law, the February 2, 2021, supplemental judgment for attorney fees in favor of the Company was also automatically reversed.

On December 21, 2023, the plaintiffs filed their second amended complaint, which the Company answered and denied.

On April 2, 2024, the Court entered a limited judgment of dismissal confirming dismissal of the Company and the other defendants who were no longer named in the case.

On April 6, 2024, the Company filed a motion to recover costs and attorney fees and the other defendants who were no longer named in the case, in the amount of \$107,622.50 in attorney's fees, and \$1,252 in costs. Plaintiffs opposed the motion, and it is pending with a hearing scheduled for July 29, 2024. Additionally, a settlement conference is set for October 22, 2024, and a twelve-person jury trial is scheduled for November 19, 2024.

British Columbia Action

On or about September 13, 2019, the Company delivered a notice to the above-mentioned Plaintiffs of alleged breach and default under the EFF purchase and sale agreement, due to alleged unlawful, intentional acts and material misrepresentations by the Plaintiffs before and after the completion of the purchase. As a result of such breach, the Company denied the Plaintiffs' tender of their share payment notes in connection with the agreement. On or about October 14, 2019, Proudest Monkey Holdings, LLC and one of its current owners, sued the Company in the Supreme Court of British Columbia to compel the issuance and delivery of the subject shares, including interests and costs (the "**British Columbia Action**").

On November 8, 2019, the Company responded and counterclaimed for general, special and punitive damages, including interest and costs, related to breach of contract, repudiation of contract, breach of indemnity and fraudulent and negligent misrepresentation by the Plaintiffs. The Plaintiffs filed a response to the Company's counterclaims on or about June 5, 2020, and the parties stipulated to a form of amended pleading which included the joinder of additional parties, an owner of Proudest Monkey Holdings, LLC and EFF, and additional contract and equitable claims and damages, partially duplicative to those alleged by the Plaintiffs in the Oregon Action (breach of contract, indemnity, unjust enrichment and wrongful termination claims). Plaintiffs allege \$2,774,176 in damages (as amended), plus unquantified additional damages, interest and costs, of which amounts are partially duplicative of the Oregon Action. This action remains in the discovery stage, and the trial date was removed from the court's docket due to lack of prosecution by Plaintiffs. It is too early to predict the resolution of the claims and counterclaims.

Dividends

The Company has not paid any dividends on its common shares in its last three financial years and does not anticipate doing so in the foreseeable future. It is contemplated by the Company that it will reinvest all future earnings in order to finance the development and growth of its business. Any future determination to pay distributions will be at the discretion of the Board and will be made in accordance with the BCBCA and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board deems relevant. The Company is not restricted from declaring dividends or other distributions on its common shares.

B. Significant Changes

The Company has not experienced any significant changes since the date of the financial statements included with this Annual Report, except as disclosed in this Annual Report.

Item 9. The Offer and Listing

A. Offer and Listing

The Company's common shares are listed for trading on the CSE under the symbol "CXXI" and are quoted on the OTCQX marketplace in the United States under the symbol "CXXIF".

B. Plan of Distribution

Not Applicable.

C. Markets

The Company's common shares are listed for trading on the CSE under the symbol "CXXI" and are quoted on the OTCQX marketplace in the United States under the symbol "CXXIF".

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Articles

The Company is a British Columbia corporation existing under the BCBCA under incorporation number BC0320204. A copy of the Company's Articles is incorporated by reference into this Annual Report as Exhibit 1.1.

The Company was incorporated in the Province of British Columbia under the Company Act (British Columbia) on January 15, 1987, as Empire Creek Mines Inc. On May 11, 1987, the Company changed its name to Curlew Lake Resources Inc. Effective November 24, 2017, the Company changed its name to C21 Investments Inc. with a focus on acquiring United States assets in the state-legal cannabis industry.

The Company's Articles do not limit the Company's objects and purposes and there are no restrictions on the business the Company may carry out in the Articles.

The Company is authorized to issue an unlimited number of common shares without par value. Each common share is entitled to one vote. All common shares of the Company rank equally as to dividends, voting power and participation in assets. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for exchange, exercise, redemption and retraction, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modification, amendments or variation of such rights or such provisions are contained in the BCBCA and the Company's Articles.

A director or senior officer who has, directly or indirectly, a material interest in an existing or proposed material contract or transaction of the Company may not vote in respect of any such proposed material contract or transaction.

The directors may from time to time in their discretion authorize and cause the Company to:

- (a) borrow money in such amount, in such manner, on such security, from such sources and upon such terms and conditions as they think fit;
- (b) guarantee the repayment of money borrowed by any person or the performance of any obligation of any person;
- (c) issue bonds, debentures, notes and other debt obligations either outright or as continuing security for any indebtedness or liability, direct or indirect, or obligation of the Company or of any other person; and
- (d) mortgage, charge (whether by way of a specific or floating charge), grant a security interest in or give other security on the undertaking or on the whole or any part of the property and assets of the Company, both present and future.

There are no age considerations pertaining to the retirement or non-retirement of directors.

A director is not required to hold a share in the capital of the Company as a qualification for his office but shall be qualified as required by the BCBCA, to become or act as a director.

A director may hold any office or appointment with the Company (except as auditor of the Company) in conjunction with his office of director for such period and on such terms (as to remuneration or otherwise) as the Board may determine. The Company must reimburse each director for the reasonable expenses that he may incur in and about the business of the Company. If a director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director or shall otherwise be specially occupied in or about the Company's business, he may be paid remuneration to be fixed by the Board, or, at the option of such director, by ordinary resolution, and such remuneration may be either in addition to or in substitution for any other remuneration that he may be entitled to receive.

Subject to the provisions of the BCBCA, the Company may indemnify any person. The Company must, subject to the provisions of the BCBCA, indemnify a director, officer or alternate director or a former director, officer or alternate director of the Company or a person who, at the request of the Company, is or was a director, alternate director or officer of another corporation, at a time when the corporation is or was an affiliate of the Company or a person who, at the request of the Company, is or was, or holds or held a position equivalent to that of, a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity (in each case, an "eligible party"), and the heirs and personal representatives of any such eligible party, against all judgments, penalties or fines awarded or imposed in, or an amount paid in settlement of, a legal proceeding or investigative action (whether current, threatened, pending or completed) in which such eligible party or any of the heirs and personal representatives of such eligible party, by reason of such eligible party being or having been a director, alternate director or officer or holding or having held a position equivalent to that of a director, alternate director or officer, is or may be joined as a party or is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to the proceeding.

All of the authorized common shares of the Company are of the same class and, once issued, rank equally as to dividends, voting powers, and participation in assets. Holders of common shares are entitled to one vote for each common share held of record on all matters to be acted upon by the shareholders. Holders of common shares are entitled to receive such dividends as may be declared from time to time by the Board, in its discretion, out of funds legally available therefore.

Upon liquidation, dissolution or winding up of the Company, holders of common shares are entitled to receive pro rata the assets of the Company, if any, remaining after payment of all debts and liabilities. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption or purchase for cancellation, surrender, sinking or purchase funds.

Provisions as to the modification, amendment or variation of such shareholder rights or provisions are contained in the BCBCA and the Articles. Unless the BCBCA or the Company's Articles otherwise provide, any action to be taken by a resolution of the shareholders may be taken by an ordinary resolution or by a vote of a majority or more of the shares represented at the shareholders' meeting.

The BCBCA contains provisions which require a "special resolution" for effecting certain corporate actions. Such a "special resolution" requires a two-thirds vote of shareholders rather than a simple majority for passage. The principle corporate actions that require a "special resolution" include:

- (a) transferring the Company's jurisdiction from British Columbia to another jurisdiction;
- (b) giving financial assistance under certain circumstances;
- (c) certain conflicts of interest by directors;
- (d) disposing of all or substantially all of the Company's undertakings;
- (e) certain alterations of share capital;
- (f) altering any restrictions on the Company's business; and
- (g) certain reorganizations of the Company.

There are no restrictions on the repurchase or redemption of common shares of the Company while there is any arrearage in the payment of dividends or sinking fund installments.

There is no liability to further capital calls by the Company.

There are no provisions discriminating against any existing or prospective holder of securities as a result of such shareholder owning a substantial number of common shares.

No right or special right attached to issued shares may be prejudiced or interfered with unless the shareholders holding shares of the class or series of shares to which the right or special right is attached consent by a separate special resolution of those shareholders.

There are no limitations on the rights to own securities.

There is no provision of the Company's Articles that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

Shareholder ownership must be disclosed to Canadian securities administrators and the CSE by any shareholder who owns more than 10% of the Company's outstanding common shares.

As a Canadian public company, the convocation of our annual general meetings and special meetings are governed by Canadian corporate and securities laws, including the BCBCA, National Instrument 51-102 - *Continuous Disclosure Obligations*, National Instrument 52-110 - *Audit Committees* and National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

C. Material Contracts

Except for contracts entered into in the ordinary course of business and other than those described in Item 4. "Information on the Company" or elsewhere in this Annual Report, the only contracts entered into by the Company during the two years immediately preceding the date of this Annual Report which are material are the following:

- (i) Earn Out Share Settlement Agreement dated November 4, 2021, between the Company and certain Phantom vendors. See Item 7.B. "Major Shareholders and Related Party Transactions - Related Party Transactions". The Earn-Out Share Settlement Agreement is attached hereto as Exhibit 4.4 and is incorporated by reference herein.
- (ii) Earn Out Share Settlement Agreement dated February 13, 2023, between the Company and Alleh Lindquist among others. The Earn-Out Share Settlement Agreement is attached hereto as Exhibit 4.5 and is incorporated by reference herein.
- (iii) Asset Purchase Agreement dated August 18, 2023, between a subsidiary of the Company and Deep Roots Harvest, Inc. The Asset Purchase Agreement is attached hereto as Exhibit 4.6 and is incorporated by reference herein.

D. Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Company's securities, except as discussed below under Item 10.E "Additional Information - Taxation".

There are no limitations under the laws of Canada or in the organizing documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

E. Taxation

Certain United States Federal Income Tax Considerations

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including without limitation specific tax consequences to a U.S. Holder under an applicable income tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each prospective U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership, and disposition of common shares. No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive, current or prospective basis.

U.S. Holders

For purposes of this summary, the term "**U.S. Holder**" means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a "functional currency" other than the U.S. dollar; (e) own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other integrated transaction; (f) acquired common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) are subject to special tax accounting rules; (i) are partnerships and other pass-through entities (and investors in such partnerships and entities); (j) are S corporations (and shareholders or investors in such S corporations); (k) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the outstanding common shares of the Company; (l) are U.S. expatriates or former long-term residents of the U.S.; (m) hold common shares in connection with a trade or business, permanent establishment, or fixed base outside the United States; or (n) are subject to the alternative minimum tax. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity or arrangement that is classified as a partnership (or other "pass-through" entity) for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such entity generally will depend on the activities of the entity and the status of such partners (or owners). This summary does not address the tax consequences to any such owner. Partners (or other owners) of entities or arrangements that are classified as partnerships or as "pass-through" entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares.

Ownership and Disposition of Common Shares

The following discussion is subject to the rules described below under the heading "Passive Foreign Investment Company Rules".

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Company is a PFIC for the tax year of such distribution or the preceding tax year. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the common shares and thereafter as gain from the sale or exchange of such common shares (see "Sale or Other Taxable Disposition of Common Shares" below). However, the Company may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares by corporate U.S. Holders generally will not be eligible for the "dividends received deduction". Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention, or the common shares are readily tradable on a United States securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC (as defined below) in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will generally recognize gain or loss on the sale or other taxable disposition of common shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. Any such gain or loss recognized on such sale or other disposition generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such common shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company ("PFIC") Rules

If the Company were to constitute a PFIC for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of common shares. The Company believes that it was not a PFIC for its most recently completed tax year and based on current business plans and financial expectations, the Company does not anticipate that it will be a PFIC for its current tax year. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. However, PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurance that the Company has never been and will not become a PFIC for any tax year during which U.S. Holders hold common shares.

In addition, in any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. A failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621 annually.

The Company generally will be a PFIC under Section 1297 of the Code if, after the application of certain "look-through" rules with respect to subsidiaries in which the Company holds at least 25% of the value of such subsidiary, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income (the "income test") or (b) 50% or more of the value of the Company's assets either produce passive income or are held for the production of passive income (the "asset test"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in the ordinary course of its trade or business, and certain other requirements are satisfied.

If the Company were a PFIC in any tax year during which a U.S. Holder held common shares, such holder generally would be subject to special rules with respect to "excess distributions" made by the Company on the common shares and with respect to gain from the disposition of common shares. An "excess distribution" generally is defined as the excess of distributions with respect to the common shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Company during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the common shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the common shares ratably over its holding period for the common shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including the "QEF Election" under Section 1295 of the Code and the "Mark-to-Market Election" under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that the Company is a PFIC, the Company can provide no assurances that it will satisfy the record-keeping requirements of a PFIC, or that it will make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to the Company or any subsidiary that also is classified as a PFIC.

Certain additional adverse rules may apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether the U.S. Holder makes a QEF Election. These rules include special rules that apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to these special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of common shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or payment received on the sale, exchange or other taxable disposition of common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency received upon the sale, exchange or other taxable disposition of the common shares. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Dividends paid on the common shares will be treated as foreign-source income, and generally will be treated as "passive category income" or "general category income" for U.S. foreign tax credit purposes. The Code applies various complex limitations on the amount of foreign taxes that may be claimed as a credit by U.S. taxpayers. In addition, Treasury Regulations that apply to taxes paid or accrued (the "**Foreign Tax Credit Regulations**") impose additional requirements for Canadian withholding taxes to be eligible for a foreign tax credit, and there can be no assurance that those requirements will be satisfied.

Subject to the PFIC rules and the Foreign Tax Credit Regulations, each as discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income that is subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, common shares will generally be subject to information reporting and backup withholding tax, currently at the rate of 24%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

The Company is subject to the informational requirements of the Exchange Act and files reports and other information with the SEC. The SEC maintains a website that contains reports and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov> ("**EDGAR**")

The documents concerning the Company referred to in this Annual Report may be inspected at the Company's registered and records office, located at 19th Floor, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H4.

The Company is subject to reporting requirements as a "reporting issuer" under applicable securities legislation in Canada and as a "foreign private issuer" under the Exchange Act. As a result, the Company must file periodic reports and other information with the Canadian securities regulatory authorities and the SEC.

A copy of this Annual Report and certain other documents referred to in this Annual Report and other documents filed by the Company may be retrieved from the system for electronic document analysis and retrieval ("**SEDAR**") system maintained by the Canadian securities regulatory authorities at www.sedar.ca or from EDGAR.

I. Subsidiary Information

Not Applicable.

J. Annual Report to Security Holders

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

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 the date of this Annual Report:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company deposits the majority of its cash with high credit quality financial institutions in the United States. The Company is not exposed to any significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investment and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company's consolidated financial statements for year ended January 31, 2024, have been prepared on a going concern basis which assumes that the Company will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company takes a disciplined approach to financing and intends to protect shareholder value by raising capital strategically. The Company is assessing various opportunities for additional financing through either debt or equity to be used for corporate working capital and possible future acquisitions.

Further, there remains uncertainty about the U.S. federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern and have a material adverse impact on the business.

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 Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

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 the date of this Annual Report, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

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

The Company is not a party to any foreign currency hedge contracts as at the date of this Annual Report.

Inflation Risk

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material effect on our financial position or results of operations to date, a continued high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit and selling, general and administrative expenses as a percentage of net sales if the selling prices of our services do not increase with these increased costs.

Item 12. Description of Securities Other than Equity Securities

A. - C.

Not Applicable.

D. American Depository Receipts

The Company does not have securities registered as American Depository Receipts.

PART II.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

No modifications or qualifications have been made to the instruments defining the rights of the holders of the Company's common shares and no material amount of assets securing the Company's securities has been withdrawn or substituted by the Company or anyone else, other than in the ordinary course of business.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as at January 31, 2024 (the "**Evaluation Date**").

Disclosure controls and procedures are controls and procedures that are designed to ensure that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of the Evaluation Date.

(b) Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with GAAP as issued by FASB. The Board is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements. Management reviewed the results of their assessment with the Company's Audit Committee.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

To evaluate the effectiveness of the Company's internal control over financial reporting, management has used the Internal Control - Integrated Framework (2013), which is a suitable, recognized control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, our management concluded that certain of our internal controls over financial reporting were not effective as of the Evaluation Date, due to the existence of a material weakness as it relates to inadequate segregation of duties in certain financial reporting processes, including accounting for deferred income taxes and preparation of statements of cash flows related to foreign currency translations, partly because of the Company's small size and insufficient personnel with an appropriate level of technical accounting knowledge, experience and training commensurate with the Company's complexity and its financial accounting and reporting requirements.

The Company is committed to maintaining a strong internal control environment. In order to address the material weaknesses in internal control over financial reporting noted above, management with oversight and direction from the Audit Committee and the Board of Directors, is developing a remediation plan. To remediate the material weakness and significant deficiencies described above, management is currently considering the following actions:

- retain additional in-house accounting personnel and continue to enhance our internal finance and accounting organizational structure;
- strengthen the direct management oversight of complex transactions, along with the use of legal and accounting professionals; and
- expand the scope of services with the Company's independent outside accounting consulting firm to assist with addition oversight of its financial statements and regulatory filings.

As we continue to develop and implement our remediation plan, additional remediation steps will be identified and adopted.

We will consider the material weaknesses remediated after the applicable controls operate for a sufficient period of time, and management has concluded that the controls are operating effectively.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Disclosure Controls or its Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

(c) Attestation Report of Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Under the Jumpstart Our Business & Startups Act ("**JOBS Act**"), emerging growth companies are exempt from Section 404(b) of the Sarbanes-Oxley Act, which generally requires public companies to provide an independent auditor attestation of management's assessment of the effectiveness of their internal control over financial reporting. The Company qualifies as an emerging growth company under the JOBS Act and therefore has not included an independent auditor attestation of management's assessment of the effectiveness of its internal control over financial reporting.

(d) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the year ended January 31, 2024, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The Board has determined that D. Bruce Macdonald qualifies as a financial expert and is independent (as determined under Exchange Act Rule 10A-3 and section 803A of the NYSE American Company Guide).

Item 16B. Code of Ethics

On February 4, 2019, the Company adopted a Code of Business Conduct and Ethics that applies to all employees of the Company, including its Chief Executive Officer and Chief Financial Officer. A copy of the Company's Code of Ethics will be provided to any person requesting the same without charge. To request a copy of our Code of Ethics, please make a written request to our Chief Financial Officer at the Company's corporate office, located at 19th Floor, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H4.

As at the date of this Annual Report, the Company has not made any modification, material departure, waiver or implicit waiver of the Company's Code of Business Conduct and Ethics.

Item 16C. Principal Accountant Fees and Services

Davidson & Company LLP ("**Davidson**") has been the external auditor of the Company since January 19, 2024. The predecessor external auditor of the Company prior to the appointment of Davidson was Marcum, LLP ("**Marcum**"). The aggregate fees billed by the Company's external auditors, Davidson and Marcum, in each of the last two financial years of the Company for services in each of the categories indicated are as follows:

Financial Year End	Audit Fees	Audit Related Fees⁽¹⁾	Tax Fees⁽²⁾	All Other Fees⁽³⁾
January 31, 2024	C\$651,793	C\$Nil	C\$147,637	Nil
January 31, 2023	C\$389,875	C\$47,572	C\$38,815	Nil

(1) Pertains to assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not reported under "Audit Fees".

(2) Pertains to professional services for tax compliance, tax advice and tax planning.

(3) Pertains to products and services other than services reported under the other categories.

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services, however the Company's external auditor has been approved by majority vote of the Audit Committee and 100% of the services described above were approved by the Audit Committee. At no time since February 1, 2020, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Company's Board of Directors.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Changes in Registrant's Certifying Accountant

At the Company's request, the Company's former independent auditor, Marcum, resigned effective January 19, 2024, and Davidson was engaged as the Company's new independent auditor effective January 19, 2024. The disclosure required pursuant to this Item 16F was included in the Company's Current Report on Form 6-K filed with the SEC on February 1, 2024, in Exhibits 99.1, 99.2 and 99.3, which are hereby incorporated by reference into this Annual Report.

Item 16G. Corporate Governance

Not Applicable.

Item 16H. Mine Safety Disclosure.

Not Applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

Item 16J. Insider Trading Policies

Not Applicable.

Item 16K. Cybersecurity

Risk Management and Strategy

As of the date of the filing of this Annual Report, the Company has information systems in place and has not suffered a "cybersecurity threat" (as defined in Item 106(a) of Regulation S-K) or "cybersecurity incident" (as defined in Item 106(a) of Regulation S-K). Moreover, the Company is aware of the evolution of cybersecurity risks and is taking proactive steps by keeping up to date our information systems and educating our personnel about these risks. Refer to the "Cybersecurity risk" section in "*Item 3-D - Risk Factors*" for the complete information regarding cybersecurity risks and, the potential likelihood of impacting the Company's technology systems.

In order to mitigate these risks to a degree, the Company has a full-time IT manager ("Manager") and also engages third-party service providers to monitor and update the Company's information systems¹.

The Company has implemented multiple measures to combat and reduce the risk of cybersecurity threats and cybersecurity incidents such as:

¹ The Manager has 25 years' experience in company-wide email security, centrally managed security suites, and requisite experience drafting, updating and enforcing corporate IT policy including cyber and network security.

- Hiring the Manager, who is available to respond immediately in the event of any cybersecurity threat or cybersecurity incident;
- Developing an internal IT Control Guide ("**IT Guide**") reviewed by the COO;
- Enhancing the scrutiny of the emails received via a third-party security service provider to identify potential threats; and
- Implementing informal educational outreach programs including email reminders to educate staff about certain cybersecurity risks.

Governance

The Manager monitors cybersecurity risks and potential incidents while following and periodically reviewing the IT Guide, recommending updates to the COO where needed. The COO advise the Board of any potential cybersecurity threat and the corresponding mitigation steps needed. In addition, the Board includes a member with expertise and experience in cybersecurity matters.

At the time of filing this Annual Report the Company does not have a subcommittee dedicated to cybersecurity but will consider increased oversight from the Board as the Company's situation evolves responsible for the oversight of risks from cybersecurity threats.

PART III.

Item 17. Financial Statements

See Item 18 "Financial Statements".

Item 18. Financial Statements

The following financial statements pertaining to the Company are filed as part of this Annual Report:

Audited Financial Statements of the Company for the years ended January 31, 2024 and 2023 audited in accordance with U.S. GAAP.

Audited Financial Statements of the Company for the year ended January 31, 2023 and 2022, audited in accordance with U.S. GAAP.



C21 INVESTMENTS INC.

Consolidated Financial Statements

For the years ended **January 31, 2024 and 2023**

(Expressed in U.S. Dollars)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
C21 Investments Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of C21 Investments Inc. (the "Company") as of January 31, 2024, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the year ended January 31, 2024, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2024, and the results of its operations and its cash flows for the year ended January 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited the reclassification described in Note 2(d) and Note 21 that was applied to reclassify the 2023 consolidated financial statements to conform to the current year presentation. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2023 consolidated financial statements of the Company other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2023 consolidated financial statements taken as a whole.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2024.

/s/ DAVIDSON & COMPANY LLP

Chartered Professional Accountants

Vancouver, Canada

July 24, 2024

PCAOB #ID: 731



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
C21 Investments Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of C21 Investments Inc. (the "Company") as of January 31, 2023, the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America, except for the adjustments and reclassification for the changes described in Notes 2 and 21 and their related impact in the consolidated financial statements.

We were not engaged to audit, review, or apply any procedures to the adjustments and reclassifications for the changes described in Notes 2 and 21 and their related impact in the consolidated financial statements as of January 31, 2023 and for the year then ended and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments and reclassifications are appropriate and have been properly applied. Those adjustments and reclassifications were audited by other auditors.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

We served as the Company's auditor from 2022 to 2023.

San Jose, California

June 13, 2023

C21 INVESTMENTS INC.
Consolidated Balance Sheets
(Expressed in U.S. dollars)

	January 31, 2024	January 31, 2023
	\$	\$
ASSETS		
Current assets		
Cash	2,408,526	1,891,772
Receivables	203,021	412,310
Inventory	2,708,721	4,173,573
Prepaid expenses and deposits	751,139	881,628
Assets classified as held for sale	1,170,947	1,240,011
	7,242,354	8,599,294
Non-current assets		
Property and equipment	3,433,094	4,685,118
Right-of-use assets	8,829,298	8,385,533
Intangible assets	6,482,865	7,886,825
Goodwill	28,541,323	28,541,323
Security deposit	-	46,871
Deferred tax asset	-	166,440
Total assets	54,528,934	58,311,404
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,215,956	2,921,426
Convertible promissory notes	1,156,259	1,156,259
Promissory note payable	-	2,026,667
Income taxes payable	9,719,872	7,736,858
Deferred revenue	301,562	94,068
Lease liabilities - current portion	374,548	398,723
Liabilities classified as held for sale	396,943	640,266
	14,165,140	14,974,267
Non-current liabilities		
Lease liabilities	9,192,588	8,554,702
Deposit liability	-	175,000
Derivative liability	108,233	239,700
Reclamation obligation	-	52,659
Deferred tax liability	15,965	-
Total liabilities	23,481,926	23,996,328
Commitments and contingencies (Notes 17 and 20)		
Subsequent event (Note 23)		
SHAREHOLDERS' EQUITY		
Common stock, no par value; unlimited shares authorized; 120,047,814 and 120,047,814 shares issued and outstanding as of January 31, 2024 and 2023, respectively	105,467,920	105,445,792
Commitment to issue shares	628,141	628,141
Accumulated other comprehensive loss	(2,272,056)	(2,287,145)
Deficit	(72,776,997)	(69,471,712)
Total shareholders' equity	31,047,008	34,315,076
Total liabilities and shareholders' equity	54,528,934	58,311,404

Approved and authorized for issue on behalf of the Board of Directors:

/s/ "Bruce Macdonald"

Director

/s/ "Michael Kidd"

Director

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

C21 INVESTMENTS INC.**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

(Expressed in U.S. dollars, except number of shares)

	Years ended January 31,	
	2024	2023
	\$	\$
Revenue	28,285,200	28,888,410
Cost of sales	17,135,434	15,487,264
Gross profit	11,149,766	13,401,146
Selling, general and administrative expenses	9,677,738	9,445,908
Income from operations	1,472,028	3,955,238
Gain (loss) on change in fair value of derivative liability	(451,372)	742,483
Gain on termination of sales-type lease and disposal of licenses	503,544	-
Loss on disposal of assets	(11,655)	-
Impairment loss	(1,202,227)	(20,726)
Interest expense	(35,210)	(456,691)
Other expense	(16,451)	(28,996)
Net income from continuing operations before income tax expense	258,657	4,191,308
Income tax expense	(3,482,125)	(2,809,768)
Net income (loss) from continuing operations after income tax expense	(3,223,468)	1,381,540
Net loss from discontinued operations after income tax expense	(81,817)	(1,088,329)
Net income (loss)	(3,305,285)	293,211
Other comprehensive income:		
Cumulative translation adjustment	15,089	83,822
Comprehensive income (loss)	(3,290,196)	377,033
Basic income (loss) per share from continuing operations	(0.03)	0.01
Diluted income (loss) per share from continuing operations	(0.03)	0.01
Basic and diluted (loss) per share from discontinued operations	(0.00)	(0.01)
Basic income (loss) per share	(0.03)	0.00
Diluted income (loss) per share	(0.03)	0.00
Weighted average number of common shares outstanding - basic	120,047,814	120,047,814
Weighted average number of common shares outstanding - diluted	122,880,907	122,880,907

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

C21 INVESTMENTS INC.**Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in U.S. dollars, except number of shares)

	Number of shares	Common stock	Commitment to issue shares	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance, January 31, 2022	120,047,814	105,236,351	628,141	(2,370,967)	(69,764,923)	33,728,602
Share-based compensation	-	209,441	-	-	-	209,441
Net income and other comprehensive income for the year	-	-	-	83,822	293,211	377,033
Balance, January 31, 2023	120,047,814	105,445,792	628,141	(2,287,145)	(69,471,712)	34,315,076
Share-based compensation	-	22,128	-	-	-	22,128
Net loss and other comprehensive income for the year	-	-	-	15,089	(3,305,285)	(3,290,196)
Balance, January 31, 2024	120,047,814	105,467,920	628,141	(2,272,056)	(72,776,997)	31,047,008

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

C21 INVESTMENTS INC.
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

	Years ended January 31,	
	2024	2023
	\$	\$
OPERATING ACTIVITIES		
Net (loss) income from continuing operations after income tax expense	(3,223,468)	1,381,540
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Amortization of right-of-use assets	480,340	490,351
Deferred income tax recovery	249,071	(56,920)
Depreciation and amortization	1,408,976	1,843,366
Foreign exchange gain	(5,788)	(21,670)
Loss (gain) on change in fair value of derivative liability	451,372	(742,483)
Gain on termination of sales-type lease and disposal of licenses	(503,544)	-
Loss on disposal of assets	11,655	-
Impairment loss	1,202,227	20,726
Interest expense	35,210	456,360
Provision to record inventory at net realizable value	-	174,453
Share-based compensation	22,128	209,441
Changes in operating assets and liabilities:		
Receivables	209,289	(201,887)
Inventory	1,948,095	(293,553)
Prepaid expenses and deposits	130,489	(108,178)
Accounts payable and accrued liabilities	(1,034,911)	184,662
Income taxes payable	1,983,014	2,866,688
Deferred revenue	207,494	94,068
Lease liabilities	(310,394)	(325,697)
Cash provided by operating activities of continuing operations	3,261,255	5,971,267
Cash provided by (used in) operating activities of discontinued operations	68,599	(71,292)
INVESTING ACTIVITIES		
Purchases of property and equipment	(521,579)	(442,285)
Proceeds from termination of sales-type lease and disposal of licenses	400,000	-
Cash used in investing activities of continuing operations	(121,579)	(442,285)
Cash provided by investing activities of discontinued operations	-	51,357
FINANCING ACTIVITIES		
Settlement of earn out shares	(575,136)	-
Principal repayments on promissory note payable	(2,026,667)	(6,080,000)
Repayments of convertible promissory notes	-	(40,000)
Interest paid in cash	(51,562)	(505,747)
Cash used in financing activities of continuing operations	(2,653,365)	(6,625,747)
Cash used in financing activities of discontinued operations	(45,551)	(58,150)
Effect of foreign exchange on cash	7,395	(1,361)
Change in cash during the year	516,754	(1,176,211)
Cash beginning of year	1,891,772	3,067,983
Cash end of year	2,408,526	1,891,772
Supplemental disclosure of cash flow information:		
Income tax paid in cash	1,250,150	-
Interest paid in cash	51,562	505,747
Additions in right-of-use assets and lease liabilities (Note 12)	924,105	-

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

C21 INVESTMENTS INC.
Notes to the Consolidated Financial Statements
For the years ended January 31, 2024 and 2023
(Expressed in U.S. dollars, except as noted)

1. NATURE OF OPERATIONS

C21 Investments Inc. (the "Company" or "C21") was incorporated January 15, 1987, under the Company Act of British Columbia. The Company is a publicly traded company with its registered office is 170-601 West Cordova Street, Vancouver, BC, V6B 1G1. The Company is listed on the Canadian Securities Exchange under the symbol CXXI and on the OTCQB® Venture Market under the symbol CXXIF.

The Company is a cannabis operator in Nevada, USA and is engaged in the cultivation of and manufacturing of cannabis flower products, vape products and extract products for wholesale and retail sales. The Company initially also had operations in the state of Oregon. During the year ended January 31, 2022, the Company made a strategic decision to cease operations in Oregon. The results of the Company's Oregon operations are presented as discontinued operations.

As at January 31, 2024, the Company had a working capital deficiency of \$6,922,786 (January 31, 2023 - \$6,374,973) and an accumulated deficit of \$72,776,997 (January 31, 2023 - \$69,471,712). However, for the years ended January 31, 2024 and 2023, the Company generated positive operating cash flows from continuing operations.

At the federal level, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level. There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal status. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

2. BASIS OF PREPARATION

a) Basis of presentation

These consolidated financial statements for the years ended January 31, 2024 and 2023 ("consolidated financial statements") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments classified as fair value through profit or loss.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

b) Functional and reporting currency

The functional currency of C21 Investments Inc. is Canadian dollars ("C\$"), and the functional currency of the Company's subsidiaries is U.S. dollars. C21 has determined that the U.S. dollar ("US\$") is the most relevant and appropriate reporting currency as the Company's operations are conducted in U.S. dollars and its financial results are prepared and reviewed internally by management in U.S. dollars. The consolidated financial statements are presented in U.S. dollars unless otherwise noted.

c) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and all the entities in which the Company has a controlling voting interest and is deemed to be the primary beneficiary. All consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements from the date of acquisition. All intercompany balances and transactions are eliminated upon consolidation.

2. BASIS OF PREPARATION (continued)

d) Reclassification of prior year deferred taxes to conform with current year presentation

The consolidated balance sheet as at January 31, 2023 contains a reclassification of \$143,078 from assets classified as held for sale to deferred tax asset in order to conform with the current year presentation of deferred tax balances as management expects that assets classified as held for sale will be disposed of in the form of an asset sale rather than a sale of shares and would therefore not transfer any tax attributes of the assets.

A summary of the Company's subsidiaries included in these consolidated financial statements as at January 31, 2024 is as follows:

Name of subsidiary ⁽¹⁾	Principal activity
320204 US Holdings Corp.	Holding Company
320204 Oregon Holdings Corp.	Holding Company
320204 Nevada Holdings Corp.	Holding Company
320204 Re Holdings, LLC	Holding Company
Eco Firma Farms LLC ⁽²⁾	Cannabis producer
Silver State Cultivation LLC	Cannabis producer
Silver State Relief LLC	Cannabis retailer
Phantom Brands, LLC ⁽²⁾	Holding Company
Phantom Distribution, LLC ⁽²⁾	Cannabis distributor
Workforce Concepts 21, Inc.	Payroll and benefits services

(1) All subsidiaries of the Company were incorporated in the USA, are wholly owned and have US\$ as their functional currency.

(2) Operations have been discontinued and results are included in discontinued operations.

3. ACCOUNTING POLICIES

a) Significant accounting estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and judgments.

Areas requiring a significant degree of estimation and judgment relate to the determination of recoverability of goodwill, recoverability of intangible assets, fair value less costs to sell of assets classified as held for sale, estimates used in valuation and costing of inventory, impairment of long-lived assets and inventory, fair value measurements, useful lives, depreciation and amortization of property, equipment and intangible assets, the recoverability and measurement of deferred tax assets and liabilities, share-based compensation, and fair value of derivative liability.

b) Recently issued accounting pronouncements

Recent accounting pronouncements issued by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants and the U.S. Securities and Exchange Commission did not or are not believed by management to have a material effect on the Company's present or future financial statements.

3. ACCOUNTING POLICIES (continued)

c) Cash

Cash is held in financial institutions and at retail locations. The carrying value of cash approximates its fair value.

The failure of any bank in which C21 deposits funds may reduce the amount of cash available for operations or delay the ability to access such funds. C21 does not currently have a commercial relationship with a bank that has failed or is has shown indications of experiencing operational distress, nor has C21 experienced delays or other issues in meeting its financial obligations. If banks and financial institutions where C21's cash is held enter receivership or become insolvent in response to financial conditions affecting the banking system and financial markets, its ability to access cash may be threatened and could have a material adverse effect on operations and financial condition of the Company.

As at January 31, 2024, the Company had FDIC coverage over \$965,157 (January 31, 2023 - \$697,945) of its cash balance.

d) Foreign currency translation

Foreign currency transactions are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Assets and liabilities of foreign operations are translated into U.S. dollars at year-end exchange rates and any revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income.

e) Inventory

Inventory consists of raw materials, consumables and packaging supplies used in the process to prepare inventory for sale; work in process consisting of pre-harvested cannabis plants, by-products to be extracted, oils and terpenes; and finished goods.

Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method. Net realizable value is calculated as the estimated selling price in the ordinary course of business, less any estimated costs to complete and sell the goods. Costs are capitalized to inventory, until substantially ready for sale. Costs include direct and indirect labor, raw materials, consumables, packaging supplies, utilities, facility costs, quality and testing costs, production related depreciation and other overhead costs. The Company records inventory reserves for obsolete and slow-moving inventory.

Inventory reserves are based on inventory obsolescence trends, and the historical and professional experience of management. The Company classifies cannabis inventory as a current asset, although, due to the duration of the cultivation, drying, and conversion process, certain inventory items may not be realized in cost of sales within one year.

f) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and losses on impairment.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Furniture & fixtures	5 years
Computer equipment	3 years
Machinery & equipment	2-7 years
Leasehold improvements	shorter of the life of the improvement or the remaining life of the lease

g) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

3. ACCOUNTING POLICIES (continued)

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. Amortization of intangible assets begins when the asset becomes available for use. Brands, licenses, and customer relationships are amortized over 10 years, which reflect the estimated useful lives of the intangible assets.

h) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net intangible and tangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company's goodwill is part of the Nevada reporting unit.

Goodwill is tested annually for any impairment, or more frequently in the case that events or circumstances indicate that the carrying amount of a reporting unit may not be recoverable. The Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If factors indicate this is the case, then a quantitative test is performed and an impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill.

For the years ended January 31, 2024 and 2023, the recoverable amount of goodwill allocated to the Nevada reporting unit exceeded the carrying amount and no impairment was noted.

i) Impairment of long-lived assets

Long-lived assets include property and equipment, right-of-use assets, and intangible assets with finite useful lives.

At the end of each fiscal year, the Company reviews the intangible assets' estimated useful lives and amortization methods, with the effect of any changes in estimates accounted for on a prospective basis.

Long-lived assets are reviewed for indicators of impairment at each statement of balance sheet date or whenever events or changes in circumstances indicate that a potential impairment has occurred. The Company groups assets at the lowest level for which cash flows are separately identifiable, referred to as an asset group. When indicators of potential impairment are present the Company prepares a projected undiscounted cash flow analysis to determine the recoverable amount for the respective asset or asset group. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded as in profit or loss equal to the amount by which the carrying amount exceeds the fair value.

j) Assets and liabilities held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. The comparative consolidated balance sheet is re-presented to classify assets as held for sale in the period that the respective assets are classified as held for sale.

k) Convertible instruments

The Company accounts for convertible debt as a single unit of account, unless the conversion feature requires bifurcation and recognition as a derivative. Additionally, the Company uses the if-converted method for all convertible instruments in the diluted earnings per share calculation and includes the effect of potential share settlement for instruments that may be settled in cash or shares.

l) Leases

Upon commencement of a contract containing a lease, the Company classifies leases other than short-term leases as either an operating lease or a finance lease according to the criteria prescribed by *ASU 2016-02, Leases* ("ASC 842"). The lease classification is reassessed only when: (a) the contract is modified and the modification is not accounted for as a separate contract, and (b) there is a change in the lease term or the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset. The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less.

3. ACCOUNTING POLICIES (continued)

For both finance leases and operating leases, right-of-use assets and lease liabilities are initially measured as the present value of future lease payments and initial direct costs discounted at the interest rate implicit in the lease, or if that rate is not readily determinable, the Company's incremental borrowing rate. Subsequent measurement of lease liabilities classified as finance leases is at amortized cost using the effective interest rate method. Subsequent measurement of right-of-use assets classified as finance leases is at carrying amount less accumulated amortization, where amortization is recorded straight-line over the lease term. Subsequent measurement of lease liabilities classified as operating leases is at the present value of the unpaid lease payments discounted at the discount rate for the lease established at the commencement date. Subsequent measurement of right-of-use assets classified as operating leases is carrying amount less accumulated amortization where amortization is calculated as the difference between straight-line lease cost for the period, including amortization of initial direct costs, and the periodic accretion of the lease liability.

m) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recorded initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent measurement depends on how the financial instrument has been classified and may be at fair value or amortized cost. For financial instruments subsequently measured at fair value, the Company determines the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models including the Black-Scholes option pricing model.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs that are not based on observable market data.

There have been no transfers between fair value hierarchy levels during the years ended January 31, 2024 and 2023.

The Company's cash, receivables, accounts payable and accrued liabilities are recorded at cost. The carrying values of these financial instruments approximate their fair value due to their short-term maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Financial instruments subsequently measured at amortized cost include promissory note payable, convertible promissory notes, and reclamation obligation.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. As at January 31, 2024, the Company had a working capital deficiency of \$6,922,786 (January 31, 2023 - \$6,374,973). Working capital deficiency includes a convertible promissory note with a carrying amount of \$1,156,259, which is currently in dispute with a vendor, and the outcome of this dispute is yet to be determined (Note 11(a) and Note 20). Additionally, as at January 31, 2024, the Company had an income tax payable of \$9,719,872, which includes an estimated income tax for the current year from its U.S. subsidiaries of \$3,482,125. To manage liquidity risk, the Company endeavors to ensure it has sufficient cash resources to meet its financial obligations. The Company has a thorough planning process to determine the funds required to sustain its operations. Currently, the Company primarily relies on cash generated from its cannabis operations to fulfill its financial commitments. The Company's ability to service its debt depends on sustaining the profitability of its operations and obtaining sufficient financing on acceptable terms.

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign currency risk as its operations and cash flows are all denominated in US\$. The Canadian parent has a functional currency of Canadian dollars but does not routinely engage in financing activities in alternate currencies and during the years ended January 31, 2024 and 2023 had no exposure to foreign currency risk.

3. ACCOUNTING POLICIES (continued)

n) Share-based compensation

The Company measures equity settled share-based payments based on their fair value at their grant date and recognizes share-based compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Consideration paid to the Company on the exercise of stock options is recorded as common stock.

o) Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As the Company operates in the cannabis industry, it is subject to the limits of Internal Revenue Code Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

The Company recognizes uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within income tax expense in the consolidated statements of comprehensive income.

p) Earnings (loss) per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share is computed by dividing net loss by the weighted average shares outstanding adjusted for additional shares from the assumed exercise of stock options, restricted share units, or warrants, if dilutive.

The number of additional shares is calculated by assuming the outstanding dilutive convertible instruments, options, and warrants are exercised and that the assumed proceeds are used to acquire common shares at the average market price during the year. Diluted loss per share figures for the years presented are equal to those of basic loss per share for the years since the effects of convertible instruments, stock options and warrants are anti-dilutive.

q) Revenue recognition

Revenue is recognized by the Company in accordance with ASC 606 - *Revenue From Contracts With Customers* ("ASC 606"). Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under ASC 606, the Company applies the following five steps:

1. Identify a customer along with a corresponding contract
2. Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer
3. Determine the transaction price that the Company expects to be entitled to in exchange for transferring promised goods or services to a customer
4. Allocate the transaction price to the performance obligation(s) in the contract
5. Recognize revenue when or as the Company satisfies the performance obligation(s) in the contract

The Company's contracts with customers for the sale of dried cannabis and other products derived from cannabis consist of one performance obligation, being the transfer of control of the goods to the customer at the point of sale. The Company transfers control and satisfies its performance obligation when collection has taken place, compliant documentation has been signed, and the product was accepted by the buyer. The Company does not have performance obligations subsequent to delivery on the sale of goods to customers and revenues from sale of goods are recognized at a "point in time", which is upon passing of control to the customer.

3. ACCOUNTING POLICIES (continued)

Provisions for expected credit losses on accounts receivable are based on the Company's assessment of the collectability of specific customer balances, which is based upon a review of the customer's creditworthiness and past collection history. For trade receivables deemed to be uncollectible, and arose from the sale of goods, the Company will write off the specific balance against the allowance for doubtful accounts when it is known that a provided amount will not be collected.

The Company disaggregates its revenues based on sales to its retail customers where cash is received immediately versus wholesale customers to whom the Company extends credit terms. For the year ended January 31, 2024, revenue from retail sales from continuing operations totaled \$25,314,672 (2023 - \$26,713,239) and revenue from wholesale from continuing operations totaled \$2,970,528 (2023 - \$2,175,171).

r) Loyalty program

The Company offers a loyalty reward program to its dispensary customers that allows customers to earn reward credits that can be applied to future purchases. Loyalty reward credits issued as part of a sales transaction result in revenue being deferred until the loyalty reward is redeemed by the customer. The loyalty rewards are shown as reductions to the 'Revenue' line within the accompanying consolidated statements of income and comprehensive income and included as deferred revenue on the consolidated balance sheets. A portion of the revenue generated in a sale must be allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. The loyalty program expiration policy is six months. As of January 31, 2024 and 2023, the loyalty liability totaled \$301,562 and \$94,068, respectively, and is included in deferred revenue on the consolidated balance sheets.

4. DISCONTINUED OPERATIONS

a) Sales-type lease and disposal of licenses

In January 2022, the Company entered into a lease-to-own arrangement with a lessee for certain licenses, land and equipment in Oregon, USA, representing its outdoor growing operation. The Company determined that the arrangement should be accounted for as a sales-type lease and concluded that it is not probable that all required payments will be made such that title will transfer at the end of the term. As such, in accordance with ASC 842, the land and equipment were not derecognized, and payments received are recorded as a deposit liability until such time that collectability becomes probable.

During the year ended January 31, 2024, the Company executed a settlement agreement to terminate its lease-to-own arrangement. Prior to the settlement, the Company had collected a cumulative \$100,000 related to the lease-to-own arrangement, recorded as a deposit liability. Under the settlement agreement, the Company transferred certain licenses with a carrying value of \$32,250 in exchange for \$400,000, which was paid by the lessee. The Company retained the cumulative \$100,000 in lease-to-own payments collected to date. As a result, the Company recognized a gain on the termination of the sales-type lease of \$467,750.

Additionally, the Company sold three licenses in Bend, Oregon, with a carrying value of \$39,206, to the same lessee. The titles of these licenses were fully transferred. The Company derecognized the related intangible assets and the \$75,000 deposit liability, resulting in a gain on the disposal of licenses of \$35,794.

b) Oregon reporting unit

As a result of non-profitable operations in the Oregon reporting unit, the Company began to wind down operations in Oregon beginning in the year ended January 31, 2021. By January 31, 2022, the Company made the decision to cease all growing, manufacturing, and processing activities in Bend, Oregon. As the Oregon reporting unit comprises the assets of multiple components in distinct geographic locations, management anticipates completing the sale on a piecemeal basis. Management is engaged in an active program to seek buyers for the major classes of assets and liabilities in Oregon in order to complete a sale.

During April 2023, the Company had terminated all operating lease agreements in Oregon and paid a settlement payment of \$151,350. As a result, security deposits with a carrying amount of \$43,796 were written off and the Company recognized a loss on lease termination of \$13,419.

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4. DISCONTINUED OPERATIONS (continued)

Property and equipment contain a building and fixtures that were previously used for cannabis operations. Long-term debt comprises equipment and vehicle loans and a building mortgage associated with the building that is held for sale. The equipment and vehicle loans had interest rates ranging from 5.6% to 19.9% and were repaid in March 2022. During the year ended January 31, 2023, the Company made principal repayments of \$12,481 and interest repayments of \$118 on the equipment and vehicle loans. The building mortgage was entered into on February 1, 2015 and matures on January 1, 2025. The mortgage bears interest at a fixed rate of 4.5% with payments made monthly. During the year ended January 31, 2024, other expenses included interest expense incurred on long-term debt of \$18,526 (2023 - \$19,713). During the year ended January 31, 2024, an amount of \$45,551 (2023 - \$45,551) was repaid in connection with the long-term debt.

A summary of major classes of assets and liabilities of the discontinued Oregon operation that are classified as held for sale in the consolidated balance sheets is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Carrying amounts of the major classes of assets included in discontinued operations:		
Receivables	-	15,522
Prepaid expenses and deposits	31,430	84,972
Property and equipment	1,139,517	1,139,517
Total assets classified as held for sale	1,170,947	1,240,011
Carrying amounts of the major classes of liabilities included in discontinued operations:		
Lease liabilities	-	216,298
Long-term debt	396,943	423,968
Total liabilities classified as held for sale	396,943	640,266

A summary of the Company's net loss from discontinued operations is as follows:

	Years ended January 31, 2024	2023
	\$	\$
Revenue	-	357,540
Cost of sales	-	357,540
Gross loss	-	-
Expenses		
Selling, general and administrative expenses	116,728	608,112
Impairment loss	-	245,682
Provision for expected credit losses	-	218,425
Loss on lease termination	13,419	-
Other expenses	18,526	6,861
Net loss from discontinued operations before income tax expense	(148,673)	(1,079,080)
Income tax recovery	66,856	(9,249)
Net loss from discontinued operations after income tax expense	(81,817)	(1,088,329)

A summary of the Company's cash flows from discontinued operations for the years ended January 31, 2024 and 2023 is as follows:

	2024	2023
	\$	\$
Net cash provided by (used in) operating activities of discontinued operations	68,599	(71,292)
Net cash provided by investing activities of discontinued operations	-	51,357
Net cash used in financing activities of discontinued operations	(45,551)	(58,150)

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5. RECEIVABLES

A summary of the Company's receivables is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Taxes receivable	13,829	10,834
Trade receivables	189,192	401,476
	203,021	412,310

There was no provision for expected credit losses on trade receivables as at January 31, 2024 and 2023.

6. INVENTORY

A summary of the Company's inventory is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Finished goods	1,421,541	1,556,353
Work in process	1,139,116	2,494,455
Raw materials	148,064	122,765
	2,708,721	4,173,573

7. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

a) Property and equipment

A summary of the Company's property and equipment is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Land	500,000	1,330,000
Leasehold improvements	2,027,182	1,775,896
Furniture and fixtures	361,580	468,696
Computer equipment	6,659	6,659
Machinery and equipment	2,399,226	2,450,919
	5,294,647	6,032,170
Less: accumulated depreciation	(1,861,553)	(1,347,052)
	3,433,094	4,685,118

Total depreciation expense for the year ended January 31, 2024 was \$559,712 (2023 - \$533,702). During the year ended January 31, 2024, \$474,172 (2023 - \$472,096) of the total depreciation expense was allocated to inventory. During the year ended January 31, 2024, the Company recorded impairment of property and equipment of \$372,227 (2023 - \$20,726). On January 31, 2024, the Company recognized impairment loss on land of \$830,000 following completion of an appraisal completed subsequent to January 31, 2024.

b) Right-of-use assets

The Company's right-of-use assets result from its operating leases (Note 12) and consist of land and buildings used in the cultivation, processing, and warehousing of its products.

8. INTANGIBLE ASSETS AND GOODWILL

a) Intangible assets

A summary of the Company's intangible assets subject to amortization is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Licenses	12,010,274	12,167,021
Brands	644,800	644,800
Customer relationships	1,540,447	1,540,447
	14,195,521	14,352,268
Less: accumulated amortization	(7,712,656)	(6,465,443)
	6,482,865	7,886,825

During the year ended January 31, 2024, the Company recognized amortization expense on intangible assets of \$1,332,507 (2023 - \$1,337,336). Of the total amortization expense, \$9,071 (2023 - \$9,065) was allocated to inventory.

During the year ended January 31, 2024, the Company disposed of licenses in Oregon with a cost of \$156,750 and accumulated amortization of \$85,294 (Note 4).

The estimated aggregate amortization expense for each of the five succeeding years is as follows:

	\$
January 31, 2025	1,298,974
January 31, 2026	1,298,974
January 31, 2027	1,298,974
January 31, 2028	1,298,974
January 30, 2029	1,286,969
	6,482,865

b) Goodwill

As at January 31, 2024 and 2023, the Company had goodwill of \$28,541,323 and \$28,541,323, respectively, which was allocated to the Nevada reporting unit. There was no impairment on goodwill identified during the years ended January 31, 2024 and 2023.

9. SECURITY DEPOSIT

Security deposit consisted of a deposit with the Alberta Energy Regulator ("AER") under the AER's Liability Management programs to cover potential liabilities relating to its wells. On January 19, 2024, the AER claimed \$50,285 (C\$67,367) to pay costs to the Orphan Well Association. The Company confirmed that the Orphan Well Association has completed its reclamation work and that the site has been fully remediated with no further work required. As a result, the associated reclamation obligation with a balance of \$52,474 (C\$70,300) was extinguished and a gain of \$2,189 (C\$2,933) was recorded in other income. As at January 31, 2024, the security deposit had a balance of \$nil (January 31, 2023 - \$46,871) and the reclamation obligation had a balance of \$nil (January 31, 2023 - \$52,659).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Accounts payable	1,188,133	1,842,089
Accrued liabilities	415,323	450,485
EFF settlement accrual (Note 20)	612,500	612,500
Interest payable	-	16,352
	2,215,956	2,921,426

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11. PROMISSORY NOTES

Transaction costs related to the issuance of convertible promissory notes are apportioned to their respective financial liability and equity components (if applicable) in proportion to the allocation of proceeds as a reduction to the carrying amount of each component.

When valuing the financial liability component of the promissory notes, the Company used specific interest rates assuming no conversion features existed. The resulting liability component is accreted to its face value over the convertible note's term until its maturity date.

a) Convertible promissory notes

A summary of the Company's convertible promissory notes denominated in US\$ is as follows:

	\$
Balance, January 31, 2022	1,281,442
Payment	(41,600)
Interest expense	1,600
Effect of foreign exchange	(85,183)
Balance, January 31, 2024 and 2023	1,156,259

On June 13, 2018, the Company issued convertible promissory notes to the vendors that sold Eco Firma Farms, LLC ("EFF") to the Company in the aggregate principal amount of \$2,000,000. The convertible promissory notes were convertible at \$1.00 per common stock. The convertible promissory notes accrue interest at a rate of 4% per annum, compounded annually, and were fully due and payable on June 13, 2021. The Company is engaged in an ongoing dispute with the vendors over repayment (Note 20). On issuance, the Company determined the conversion feature was a derivative liability as the convertible promissory notes were exercisable in US\$ while the functional currency of the Company is Canadian dollars. On June 13, 2021, the conversion feature expired and as a result the fair value of the conversion feature is \$nil.

b) Promissory note payable

A summary of the Company's promissory note payable denominated in US\$ is as follows:

	\$
Balance, January 31, 2022	8,106,667
Repayments	(6,080,000)
Balance, January 31, 2023	2,026,667
Repayments	(2,026,667)
Balance, January 31, 2024	-

The promissory note payable was issued to the Company's CEO, Sonny Newman in connection with the acquisition of Silver State Cultivation LLC and Silver State Relief LLC in January 2019. During the year ended January 31, 2024 the promissory note was fully repaid. Interest expense on the promissory note payable during the year ended January 31, 2024 was \$35,210 (2023 - \$455,091). Interest paid during the year ended January 31, 2024 was \$51,562 (2023 - \$504,147).

12. LEASE LIABILITIES

The Company's leases consist of land and buildings used in the cultivation, processing, and warehousing of its products. All leases were classified as operating leases in accordance with ASC 842. A summary of the Company's active leases under contract as at January 31, 2024 is as follows:

Entity Name/Lessee	Asset	Remaining lease term	
		(years)	Type
Silver State Cultivation LLC	Land & Building	12.84	Operating lease
Silver State Relief LLC (Sparks)	Land & Building	12.84	Operating lease
Silver State Relief LLC (Fernley)	Land & Building	8.84	Operating lease

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12. LEASE LIABILITIES (continued)

On February 1, 2023, the Company entered into an amended agreements for the Sparks and Fernley leases, extending the lease terms from their original end date in 2025 to 2029, with three renewal periods of seven years each. The Company opted for one renewal term under the amended contracts, extending the lease terms until December 31, 2036. The carrying amounts of right-of-use assets and lease liabilities were remeasured, resulting in an increase of \$528,067 in the right-of-use asset and lease liabilities for the Sparks lease, and \$396,038 for the Fernley lease.

For the years ended January 31, 2024, the Company incurred operating lease costs in continuing operations of \$1,446,208 (2023 - \$1,403,743). Of this amount, \$812,368 (2023 - \$812,368), respectively, was allocated to inventory.

A summary of the Company's weighted average discount rate used in calculating lease liabilities and weighted average remaining lease term is as follows:

	January 31, 2024	January 31, 2023
Weighted average discount rate	10%	10%
Weighted average remaining lease term (years)	10.77	9.63

A summary of the maturity of contractual undiscounted liabilities associated with the Company's operating leases as at January 31, 2024 is as follows:

Year ending January 31,	\$
2025	1,314,551
2026	1,353,987
2027	1,394,607
2028	1,436,445
Thereafter	10,718,831
Total undiscounted lease liabilities	16,218,421
Effects of discounting	(6,651,285)
Total present value of minimum lease payments	9,567,136
Current portion of lease liability	374,548
Lease liabilities	9,192,588

As at January 31, 2024, the Company has total undiscounted lease liabilities of \$16,218,421 (January 31, 2023 - \$14,488,346) pertaining to lease liabilities in continuing operations and total undiscounted lease liabilities of \$nil (January 31, 2023 - \$228,192) which are classified as held for sale.

13. DERIVATIVE LIABILITY

A summary of the Company's derivative liability is as follows:

	Earn out shares
	\$
Balance, January 31, 2022	1,006,368
Gain on change in fair value of derivative liability	(742,483)
Effect of foreign exchange	(24,185)
Balance, January 31, 2023	239,700
Loss on change in fair value of derivative liability	451,372
Settlement	(575,136)
Effect of foreign exchange	(7,703)
Balance, January 31, 2024	108,233

13. DERIVATIVE LIABILITY (continued)

Upon the May 24, 2019 acquisition of Swell Companies, the vendors can earn up to 6,000,000 'earn out' shares over a period of seven years. The conditions were based on the Company's common shares exceeding certain share prices during the period. Additionally, the 50% of the earn out shares are earned upon a change of control of the Company. The fair value of the derivative liability is derived using a Monte Carlo simulation.

In February 2023, the Company settled the obligation to issue 4,792,800 common shares by making cash payments of \$575,136. As at January 31, 2024, the total number of remaining earn out shares is 1,207,200 (January 31, 2023 - 6,000,000).

14. SHARE CAPITAL

Share capital consists of one class of fully paid common shares, with no par value. The Company is authorized to issue an unlimited number of common shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

A summary of the Company's share capital is as follows:

	Number of shares	Common stock
	#	\$
Balance, January 31, 2022	120,047,814	105,236,351
Share-based compensation	-	209,441
Balance, January 31, 2023	120,047,814	105,445,792
Share-based compensation	-	22,128
Balance, January 31, 2024	120,047,814	105,467,920

a) Commitment to issue shares

In connection with the acquisition of EFF on June 13, 2018, the Company issued a promissory note payable to deliver 1,977,500 shares to the vendors of EFF in the amount of \$1,905,635, without interest, any time after October 15, 2018. As at January 31, 2024, shares issued pursuant to this commitment total 1,184,407 shares (January 31, 2023 - 1,184,407 shares).

b) Warrants

A summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	C\$	Years
Balance, January 31, 2022	3,240,000	1.18	2.10
Balance, January 31, 2023	3,240,000	1.18	1.10
Expired	(2,040,000)	1.00	-
Balance, January 31, 2024	1,200,000	1.50	0.31

A summary of the Company's outstanding and exercisable warrants as at January 31, 2024, is as follows:

Expiry date	Exercise price	Number of warrants outstanding
	C\$	#
May 24, 2024	1.50	1,200,000
		1,200,000

As at January 31, 2024 and 2023, outstanding and exercisable warrants had intrinsic values of \$nil and \$nil, respectively.

Subsequent to January 31, 2024, there were 1,200,000 warrants, with exercise price of C\$1.50, expired.

14. SHARE CAPITAL (continued)

c) Stock options

The Company is authorized to grant options to executive officers and directors, employees, and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board of Directors.

A summary of the Company's stock option activity is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life
	#	C\$	Years
Balance, January 31, 2022	5,615,000	0.84	1.45
Granted	600,000	0.70	2.03
Expired/forfeited	(1,405,000)	1.25	-
Balance, January 31, 2023	4,810,000	0.75	0.86
Expired/forfeited	(3,710,000)	0.73	-
Balance, January 31, 2024	1,100,000	0.84	0.88

A summary of the Company's stock options outstanding and exercisable as at January 31, 2024, is as follows:

Expiry date	Exercise price	Number of options outstanding	Number of options exercisable
	C\$	#	#
October 9, 2024	1.00	500,000	500,000
February 10, 2025	0.70	600,000	399,999
		1,100,000	899,999

As at January 31, 2024 and 2023, outstanding and exercisable stock options had intrinsic values of \$nil and \$nil, respectively.

During the year ended January 31, 2024, the Company recorded share-based compensation expense on vesting of stock options of \$22,128 (2023 - \$209,441).

During the year ended January 31, 2024, there were no stock options granted. During the year ended January 31, 2023, the Company used the following inputs in the Black-Scholes option pricing model:

Stock price	C\$0.61
Exercise price	C\$0.70
Risk-free interest rate	1.60%
Expected life	3 years
Expected volatility	80%
Expected annual dividend yield	0%

The Company has computed the fair value of options granted using the Black-Scholes option pricing model. The expected term used for options issued to non-employees is the contractual life and the expected term used for options issued to employees and directors is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of "plain vanilla" employee option grants. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

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15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

A summary of the Company's selling, general and administration expenses for the years ended January 31, 2024 and 2023 is as follows:

	2024	2023
	\$	\$
Accounting and legal	892,733	716,349
Depreciation and amortization	1,408,976	1,365,018
License fees, taxes, and insurance	1,603,921	1,625,036
Office facilities and administrative	384,583	338,492
Operating lease costs	633,840	591,375
Other expenses	907,918	806,009
Professional fees and consulting	522,900	903,513
Salaries and wages	3,156,441	2,747,133
Sales, marketing, and promotion	75,561	83,672
Share-based compensation	22,128	209,441
Shareholder communications	16,523	18,128
Travel and entertainment	52,214	41,742
	9,677,738	9,445,908

16. SEGMENTED INFORMATION

The Company defines its major geographic operating segments as Oregon and Nevada. Due to the jurisdictional cannabis compliance issues ever-present in the industry, each state operation is by nature operationally segmented.

Key decision makers primarily review revenue, cost of sales expense, and gross margin as the primary indicators of segment performance. As the Company continues to expand via acquisition, the segmented information will expand based on management's agreed upon allocation of costs beyond gross margin.

A summary of the Company's segmented operational activity and balances from continuing operations for the year ended January 31, 2024 is as follows:

	Nevada	Corporate	Total
	\$	\$	\$
Total revenue	28,285,200	-	28,285,200
Gross profit	11,149,766	-	11,149,766
Operating income (expenses):			
General and administration	(4,773,840)	(2,763,393)	(7,537,233)
Sales, marketing, and promotion	(75,561)	-	(75,561)
Operating lease cost	(633,840)	-	(633,840)
Depreciation and amortization	(1,316,170)	(92,806)	(1,408,976)
Share-based compensation	-	(22,128)	(22,128)
Impairment loss	(1,202,227)	-	(1,202,227)
Gain on termination of sales-type lease and disposal of licenses	-	503,544	503,544
Interest expense and others	(29,387)	(485,301)	(514,688)
Net income (loss) from continuing operations before income tax expense	3,118,741	(2,860,084)	258,657

Segmented information pertaining to discontinued operations is contained within Note 4.

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16. SEGMENTED INFORMATION (continued)

A summary of the Company's segmented operational activity and balances from continuing operations for the year ended January 31, 2023 is as follows:

	Nevada	Corporate	Total
	\$	\$	\$
Total revenue	28,888,410	-	28,888,410
Gross profit	13,401,146	-	13,401,146
Operating income (expenses):			
General and administration	(4,397,477)	(2,798,925)	(7,196,402)
Sales, marketing, and promotion	(83,672)	-	(83,672)
Operating lease cost	(591,375)	-	(591,375)
Depreciation and amortization	(1,270,092)	(94,926)	(1,365,018)
Share-based compensation	-	(209,441)	(209,441)
Impairment loss	-	(20,726)	(20,726)
Interest expense and others	(31,327)	288,123	256,796
Net income (loss) from continuing operations before income tax expense	7,027,203	(2,835,895)	4,191,308

Segmented information pertaining to discontinued operations (Oregon) is contained within Note 4.

Entity-wide disclosures

All revenue for the years ended January 31, 2024 and 2023 was earned in the United States.

For the years ended January 31, 2024 and 2023, no customer represented more than 10% of the Company's net revenue. As at January 31, 2024 and 2023, no customer represented more than 10% of the Company's receivables.

A summary of the Company's the long-lived tangible assets disaggregation by geographic area is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Nevada	11,762,392	11,321,662
Discontinued operations (Oregon)	500,000	1,748,286
Other	-	703
	12,262,392	13,070,651

17. COMMITMENTS

The Company and its subsidiaries are committed under lease agreements with third parties and related parties, for land, office space, and equipment in Nevada. A summary of the Company's future minimum payments as at January 31, 2024 is as follows:

Year ending January 31,	Third parties	Related parties	Total
	\$	\$	\$
2025	597,662	762,439	1,360,101
2026	614,225	785,313	1,399,538
2027	631,286	808,872	1,440,158
2028	648,858	833,138	1,481,996
Thereafter	3,561,898	4,473,246	8,035,144
	6,053,929	7,663,008	13,716,937

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18. RELATED PARTY TRANSACTIONS

A summary of the Company's related balances included in accounts payable and accrued liabilities, and promissory note payable is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Due to the President and CEO	-	2,043,019
Lease liabilities due to a company controlled by the CEO	4,961,727	8,953,425
Due to the CFO	561	692
	4,962,288	10,997,136

As at January 31, 2023, Due to the President and CEO included the promissory note that was repaid during the year ended January 31, 2024. As at January 31, 2024 and 2023, Due to the CFO consists of reimbursable expenses incurred in the normal course of business.

A summary of the Company's transactions with related parties including key management personnel for the years ended January 31, 2024 and 2023 is as follows:

	2024	2023
	\$	\$
Consulting fees paid to a director	65,000	125,000
Amounts paid to CEO or companies controlled by CEO for leases	1,001,214	1,239,090
Amounts paid to CEO or companies controlled by CEO for repayments of promissory note	2,078,229	6,584,146
Amounts paid to CEO or companies controlled by CEO for remuneration	200,000	200,000
Salary paid to directors and officers	438,162	398,950
Share-based compensation	22,128	153,426
	3,804,733	8,700,612

On June 5, 2023, the company controlled by the CEO sold its interest in the Silver State Relief LLC (Sparks) property. The Company continues to lease this facility from a third party.

On August 19, 2023, the company controlled by the CEO sold its interest in the Silver State Relief LLC (Fernley) property. The Company continues to lease this facility from a third party.

19. EARNINGS PER SHARE

A summary of the Company's calculation of basic and diluted earnings per share for the years ended January 31, 2024 and 2023 is as follows:

	2024	2023
Net income (loss) from continuing operations after income taxes	\$ (3,223,468)	\$ 1,381,540
Net loss from discontinued operations after income taxes	\$ (81,817)	\$ (1,088,329)
Net income (loss)	\$ (3,305,285)	\$ 293,211
Weighted average number of common shares outstanding	120,047,814	120,047,814
Dilutive effect of warrants and stock options outstanding	2,833,093	2,833,093
Diluted weighted average number of common shares outstanding	122,880,907	122,880,907
Basic income (loss) per share, continuing operations	\$ (0.03)	\$ 0.01
Diluted income (loss) per share, continuing operations	\$ (0.03)	\$ 0.01
Basic loss per share, discontinued operations	\$ (0.00)	\$ (0.01)
Diluted loss per share, discontinued operations	\$ (0.00)	\$ (0.01)
Basic income (loss) per share	\$ (0.03)	\$ 0.00
Diluted income (loss) per share	\$ (0.03)	\$ 0.00

19. EARNINGS PER SHARE (continued)

The computation of diluted earnings per share excludes the effect of the potential exercise of warrants and stock options when the average market price of the common stock is lower than the exercise price of the respective warrant or stock option and when inclusion of these amounts would be anti-dilutive. For the years ended January 31, 2024 and 2023, the number of warrants excluded from the computation was 1,200,000 and 1,200,000, respectively. For the years ended January 31, 2024 and 2023, the number of stock options excluded from the computation was 899,999 and 4,409,998 respectively. In addition, for the years ended January 31, 2024 and 2023, the computation of diluted earnings per share excludes the potential issuance of 1,207,200 remaining earn out shares (Note 13) as the market price of the common shares has not been high enough to trigger an earn out event.

20. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

Legal proceedings

Oregon Action: A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "Plaintiffs"), alleging contract, employment, and statutory claims, alleging \$612,500 in damages (as amended), against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee (the "Oregon Action"). The Company and the other defendants wholly denied the allegations and claims made in the lawsuit and is defending the lawsuit. On June 21, 2019, the Company filed Oregon Rule of Civil Procedure ("ORCP") 21 motions to dismiss all of the Plaintiffs' claims against it, its wholly owned subsidiaries, and other defendants. On December 30, 2019, the Plaintiffs filed an amended complaint dismissing the Company (and some of its directors and subsidiaries) from the case and reducing the amount in controversy in the Oregon Action. On May 6, 2020, the court granted the Company's ORCP 21 motions in its entirety to dismiss all of Plaintiffs' claims against the remaining defendants. The judgment of dismissal was entered by the Clackamas County court on or about October 14, 2020.

On October 22, 2020, the Company submitted a petition to recover the costs and attorney fees incurred by the Company as the prevailing party in the Oregon Action. On January 20, 2021, the Court ruled in the Company's favor, awarding the Company and its subsidiaries \$68,195 in attorney's fees, \$1,252 in costs, and a statutory prevailing party fee of \$640, through a supplemental judgment, entered on February 2, 2021. The judgment in favor of the Company remains unpaid and continues to collect interest at the statutory rate of 9% per annum.

On November 12, 2020, the Plaintiffs appealed the order dismissing the claims alleged in their amended complaint. On March 2, 2021, the Plaintiffs amended their appeal to appeal the award of attorney fees and costs.

On October 26, 2022, the Court of Appeals issued its decision, reversing the general and supplemental judgments in favor of the Company and remanding the case to the trial court for further proceedings. The Company filed a petition for reconsideration of the Court of Appeals decision on December 7, 2022, which was denied. On April 19, 2023, the Company filed a petition for review in the Oregon Supreme Court, which was denied. On November 1, 2023, the Court of Appeals issued the appellate judgement that reversed the October 2023 dismissal as well as the judgement for attorney fees and remanded the case against Phantom Brands, LLC, Swell Companies Limited, and two former employees. On December 21, 2023, the Plaintiffs filed a second amended complaint.

On April 2, 2024, the court confirmed dismissal of the Company and other defendants no longer named. The Company has filed a motion for costs and attorney fees totaling \$108,876, with a hearing scheduled for July 29, 2024. Additionally, a settlement conference is set for October 22, 2024, and a twelve-person jury trial is scheduled for November 19, 2024.

British Columbia Action: On or about September 13, 2019, the Company delivered a notice to the above-mentioned Plaintiffs of alleged breach and default under the EFF purchase and sale agreement, due to alleged unlawful, intentional acts and material misrepresentations by the Plaintiffs before and after the completion of the purchase. As a result of such breach, the Company denied the Plaintiffs' tender of their share payment notes in connection with the agreement. On or about October 14, 2019, Proudest Monkey Holdings, LLC and one of its current owners, sued the Company in the Supreme Court of British Columbia to compel the issuance and delivery of the subject shares, including interests and costs (the "British Columbia Action").

20. CONTINGENCIES (continued)

On November 8, 2019, the Company responded and counterclaimed for general, special and punitive damages, including interest and costs, related to breach of contract, repudiation of contract, breach of indemnity and fraudulent and negligent misrepresentation by the Plaintiffs. The Plaintiffs filed a response to the Company's counterclaims on or about June 5, 2020, and the parties stipulated to a form of amended pleading which included the joinder of additional parties, an owner of Proudest Monkey Holdings, LLC and EFF, and additional contract and equitable claims and damages, partially duplicative to those alleged by the Plaintiffs in the Oregon Action (breach of contract, indemnity, unjust enrichment and wrongful termination claims). Plaintiffs allege \$2,774,177 in damages (as amended), plus unquantified additional damages, interest and costs, of which amounts are partially duplicative of the Oregon Action. This action remains in the discovery stage. The trial date was removed due to lack of prosecution by Plaintiffs. It is too early to predict the resolution of the claims and counterclaims.

Settled and Dismissed Action: On or about May 30, 2019, Wallace Hill Partners Ltd. ("Wallace Hill") filed a civil claim in the Supreme Court of British Columbia alleging breach of contract and entitlement to 1,800,000 Common Shares of the Company, fully vested by March 1, 2019, and damages due to the lost opportunity to sell those shares after such date for a profit. On June 23, 2019, the Company circulated a letter to Wallace Hill terminating the agreement and accepting Wallace Hill's repudiation of the agreement based on Wallace Hill's previously published defamatory comments and termination of the agreement. On June 23, 2019, the Company filed its response to the civil claim denying all claims and filed counterclaims alleging breach of contract, a declaratory judgment of termination of the agreement, defamation and an injunction from further defamatory comments.

On March 23, 2022, the Company and Wallace Hill entered into a mutual release agreement, pursuant to which, among other things, all parties agreed to dismiss their respective claims and to release one another from any further causes of action in connection with the subject matter of the original claims. On April 23, 2022, the parties filed a Notice of Discontinuance in the Supreme Court of British Columbia formally dismissing the civil action.

21. INCOME TAXES

The Company is a Canadian resident company, as defined in the Income Tax Act (Canada) (the "ITA"), for Canadian income tax purposes. However, it has subsidiaries that are treated as United States corporations for US federal income tax purposes per the Internal Revenue Code (US) ("IRC") and are thereby subject to federal income tax on their worldwide income. As a result, the Company is subject to taxation both in Canada and the United States.

A summary of the Company's components of the income tax provision for the years ended January 31, 2024 and 2023, is as follows:

	2024	2023
	\$	\$
Current		
Canadian	-	-
US Federal and State	3,233,053	2,866,688
Total current income tax expense	3,233,053	2,866,688
Deferred		
Canadian	-	-
US Federal and State	249,072	(56,920)
Total deferred income tax expense (recovery)	249,072	(56,920)
Total income tax expense	3,482,125	2,809,768

A summary of the Company's domestic and foreign components of income (loss) before provision for income taxes for the years ended January 31, 2024 and 2023, is as follows:

	2024	2023
	\$	\$
Canadian	(2,141,166)	(702,488)
United States	2,399,823	4,893,796
Income before income taxes	258,657	4,191,308

C21 INVESTMENTS INC.
Notes to the Consolidated Financial Statements
For the years ended January 31, 2024 and 2023
(Expressed in U.S. dollars, except as noted)

21. INCOME TAXES (continued)

Section 280E of the Internal Revenue Code ("IRC") prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for U.S. Federal purposes, the Internal Revenue Service (the "IRS") has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. The nondeductible expenses shown in the effective rate reconciliation above is comprised primarily of the impact of applying Section 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

A summary of the Company's reconciliation of the statutory income tax rate percentage to the effective tax rate for the years ended January 31, 2024 and 2023 is as follows:

	2024	2023
	\$	\$
Income for the year	258,657	4,191,308
Statutory rate	27%	27%
Income tax expense at statutory rate	(74,152)	1,131,653
IRC section 280E disallowance	1,954,392	1,802,992
Foreign tax rate differential	16,068	(288,933)
Change in foreign exchange rates and other	21,188	196,298
Uncertain tax position, inclusive of interest and penalties	(354,637)	32,591
Change in valuation allowance	(50,016)	(198,848)
Payable adjustment to provision versus statutory tax returns	1,153,756	67,056
Deferred adjustment to provision versus statutory tax returns	824,220	10,410
Other	(8,694)	56,549
	3,482,125	2,809,768

A summary of the Company's deferred tax asset (liability) significant components is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Deferred tax assets		
Share issuance costs and financing fees	1,610	4,764
Allowable capital losses	132,394	132,986
Non-capital losses	5,170,743	4,704,180
Intangible assets	82,004	230,563
Goodwill	6,606	-
Lease liabilities	1,048,101	1,095,352
Reclamation obligation	-	14,219
Derivative liability	29,223	64,719
Inventories	-	36,797
Convertible promissory note	-	312,190
Property and equipment	3,686	-
Other	14,187	-
Total deferred tax assets	6,488,554	6,595,770
Valuation allowance	(5,261,352)	(5,311,368)
Total net deferred tax assets	1,227,202	1,284,402
Deferred tax liabilities		
Property and equipment	-	(95,857)
Right-of-use assets	(959,509)	(1,022,105)
IRC 481(a) adjustments	(283,658)	-
Total deferred tax liabilities	(1,243,167)	(1,117,962)
Net deferred tax asset (liability)	(15,965)	166,440

21. INCOME TAXES (continued)

There are no deferred tax assets and liabilities included in the carrying amount of the disposal group classified as held for sale as of January 31, 2024. Amounts classified as part of the disposal group as of January 31, 2023 have been reclassified to continuing operations under ASC 360-10-20.

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the Canadian loss carryforwards that may expire prior to their utilization has been recorded as at January 31, 2024.

As the Company operates in the cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for US federal income tax purposes as well as state income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to costs of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

Management regularly assesses the ability to realize deferred tax assets recorded based upon the weight of available evidence, including such factors as recent earnings history and expected future taxable income on a jurisdiction-by-jurisdiction basis. In the event that the Company changes its determination as to the amount of realizable deferred tax assets, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made. The Company's management believes that, based on a number of factors, it is more likely than not, that all or some portion of the deferred tax assets will not be realized; and accordingly, for the fiscal year ended January 31, 2024, the Company has provided a valuation allowance against the Company's Canadian net deferred tax assets. The net change in the valuation allowance for the fiscal year ended January 31, 2024 was a decrease of \$4,604,054.

The Company had net operating loss ("NOL") carryforwards for Canada, U.S. federal and state income tax purposes of approximately \$18,540,482 and \$2,168,593, respectively, as of January 31, 2024. Canada NOLs will begin to expire in 2026 and state NOLs will begin to expire in 2035.

As of January 31, 2024, the Company had Canadian capital losses of approximately \$490,348 with no expiry date. The Internal Revenue Code of 1986, as amended, imposes restrictions on the utilization of net operating losses in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use net operating losses may be limited as prescribed under Internal Revenue Code Section 382 ("IRC Section 382"). Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Utilization of the federal and state net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions. The Company may, in the future, experience one or more additional Section 382 "ownership changes." If so, the Company may not be able to utilize some of its carryforwards or other tax attributes, even if the Company achieves profitability in the jurisdiction of the carryforwards or other tax attributes. The Company has not completed a study to assess whether a change of ownership has occurred, or whether there have been multiple ownership changes since its formation, due to the significant cost and complexity associated with such a study. Any limitation may result in expiration of a portion of the NOL carryforwards before utilization. Further, until a study is completed by the Company and any limitation is known, no amounts are being presented as an uncertain tax position.

The uncertain tax position comprises of certain deductions for lease obligations, depreciation and amortization taken in prior years in excess of the accounting expenses in respect of assets used in production as well as deductions for inventory impairment that were not previously taken

As of January 31, 2024, the total amount of gross unrecognized tax benefits was \$68,530, which includes interest and penalties. As of January 31, 2024, \$68,530 of the total unrecognized tax benefits, if recognized, would have an impact on the Company's effective tax rate.

The Company estimates that approximately \$47,015 of unrecognized tax benefits, including penalties and interest, may be recognized in the next 12 months.

During the years ended January 31, 2024, the Company recorded interest of \$20,369 and penalties of \$1,012 on uncertain tax liabilities within the consolidated statements of operations and comprehensive (loss) income. The Company files income tax returns in Canada, the U.S. federal jurisdiction and Oregon. The Company's tax years for the fiscal year ended January 31, 2021 and forward are subject to examination by the U.S. tax authorities. The Company's tax years for January 31, 2021 and forward are subject to examination for state purposes. The tax return for the 2020 fiscal year is also subject to examination by tax authorities in Canada.

C21 INVESTMENTS INC.
Notes to the Consolidated Financial Statements
For the years ended January 31, 2024 and 2023
(Expressed in U.S. dollars, except as noted)

21. INCOME TAXES (continued)

The aggregate change in the balance of gross unrecognized tax benefits, excluding penalties and interest, is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Beginning balance	789,112	813,855
Increase due to tax positions taken during current year	5,059	-
Decrease in balance as a result of lapse of the applicable statute of limitations	(171,314)	-
Increase in balance due to tax positions taken during prior years	-	-
Decrease in balance due to tax positions taken during prior years	(714,043)	(24,743)
Ending balance	(91,186)	789,112

Beginning on January 1, 2022, the Tax Cuts and Jobs Act ("the Act"), enacted in December 2017, eliminated the option to deduct research and development expenditures in the current period and requires taxpayers to capitalize and amortize U.S.-based and non-U.S. based research and development expenditures over five and fifteen years, respectively. There is no impact to our current income tax provision as a result of this tax legislation.

On August 16, 2022 the Inflation Reduction Act of 2022 ("the Act") was signed into law. For taxable years beginning after December 31, 2022, the Act creates a 15% corporate minimum tax on large corporations with more than \$1 billion in financial statement net income, and a 1% excise tax on stock buybacks. The Company assessed the impact of the Act and determined it does not have a material impact to the financials and related disclosures.

22. FINANCIAL INSTRUMENTS

A summary of the Company's financial instruments classified as fair value through profit or loss and their classification in the fair value hierarchy is as follows:

Fair value measurements at January 31, 2024 using:	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities:				
Earn out shares (Note 13)	-	-	108,233	108,233
Fair value measurements at January 31, 2023 using:	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities:				
Earn out shares (Note 13)	-	-	239,700	239,700

The fair value of the derivative liability associated with the earn out shares was derived using a Monte Carlo simulation using non-observable inputs, and therefore represents a Level 3 measurement.

23. SUBSEQUENT EVENT

On May 6, 2024, the Company closed a non-brokered private placement in which the Company issued 4,000 convertible debenture units of the Company for aggregate gross proceeds of C\$4,000,000. The net proceeds from the private placement combined with the Company's cash reserves, were used to fund the acquisition of the South Reno dispensary, which closed on June 7, 2024.

Each convertible debenture unit offered under the private placement is comprised of: (i) a convertible debenture of the Company secured against the Nevada operations of the Company in principal amount of C\$1,000; and (ii) 1,000 common share purchase warrants, each of which is exercisable for one common share at a price of C\$0.55 per share for a period of 30 months from the issuance date.

The principal amount of the convertible debentures, together with any accrued and unpaid interest, will mature and become due and payable on the date that is 30 months from the issue date, subject to earlier conversion or repayment. The principal amount owing under the convertible debentures will accrue interest from the issue date at rate of 12% per annum, payable quarterly in cash. The principal amount may be converted into common shares at the option of the holder at any time prior to the maturity date at a price of C\$0.45 per common share.

23. SUBSEQUENT EVENT (continued)

On May 13, 2024, the Company granted 5,425,000 stock options to certain officers, directors, and employees. Each stock option entitles the holder to acquire one common share of the Company at an exercise price of C\$0.53, expiring on May 13, 2027. Of the options granted, one-third vests immediately, with the remaining two-thirds vesting in equal parts every twelve months thereafter.

On June 7, 2024, the Company completed the acquisition of a 6,500 square-foot, purpose-built, operational retail cannabis dispensary located in South Reno, Nevada. The dispensary acquisition was completed pursuant to the terms of an asset purchase agreement with Deep Roots Harvest, Inc. The acquisition involved the purchase of certain assets including applicable licenses. The purchase price in connection with the dispensary acquisition was \$3,500,000 and was fully paid to Deep Roots Harvest, Inc. by June 7, 2024. On June 26, 2024, the South Reno dispensary opened for business under the Silver State branding.



C21 INVESTMENTS INC.

Consolidated Financial Statements

For the years ended January 31, 2023 and 2022

(Expressed in U.S. Dollars)

NOTICE TO READER

C21 Investments Inc. (the "**Company**") is re-filing its annual audited financial statements for the years ended January 31, 2023 and 2022 (the "**Annual Financial Statements**") originally filed on SEDAR on June 13, 2023 to correct a clerical error contained in the audit report to such Annual Financial Statements prepared by the Company's former auditor, Baker Tilly US, LLP (the "**Correction**"). Other than the Correction, the re-filed Annual Financial Statements, as set forth below, do not contain any changes or amendments from the version previously filed on June 13, 2023.

CONSOLIDATED BALANCE SHEETS	1
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
C21 Investments Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of C21 Investments Inc. (the "Company") as of January 31, 2023, the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited the adjustments described in Note 2 that were applied to restate the 2022 consolidated financial statements to correct an error. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements taken as a whole.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Marcum LLP

We have served as the Company's auditor since 2022.

San Jose, California
June 13, 2023

PCAOB #ID 688



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors
C21 Investments Inc.

Opinion on the Financial Statements

We have audited, before the effects of the adjustments described in Note 2, the accompanying consolidated balance sheet of C21 Investments Inc. (the "Company") as of January 31, 2022, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cashflows for the year then ended, and related notes. (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements, before the effects of the adjustments described in Note 2, present fairly, in all material respects, the financial position of the Company as of January 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments for the change described in Note 2 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Baker Tilly US, LLP, trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2023 Baker Tilly US, LLP

We served as the Company's auditor from 2020 to 2022.

Baker Tilly US, LLP

Irvine, CA
August 15, 2022

C21 INVESTMENTS INC.
Consolidated Balance Sheets
(Expressed in U.S. dollars)

	January 31, 2023	January 31, 2022 (As restated - Note 2)
	\$	\$
ASSETS		
Current assets		
Cash	1,891,772	3,067,983
Receivables	412,310	210,423
Inventory	4,173,573	4,054,473
Prepaid expenses and deposits	881,628	773,450
Assets classified as held for sale	1,383,089	2,178,145
	8,742,372	10,284,474
Non-current assets		
Property and equipment	4,685,118	4,869,593
Right-of-use assets	8,385,533	8,875,884
Intangible assets	7,886,825	9,224,165
Goodwill	28,541,323	28,541,323
Security deposit	46,871	49,011
Deferred tax asset	23,362	-
Total assets	58,311,404	61,844,450
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,921,426	2,508,869
Promissory note payable - current portion	2,026,667	6,080,000
Convertible promissory notes	1,156,259	1,281,442
Income taxes payable	7,736,858	4,870,170
Deferred revenue	94,068	-
Lease liabilities - current portion	398,723	325,698
Liabilities classified as held for sale	640,266	874,379
Deferred income tax liability	-	33,558
	14,974,267	15,974,116
Non-current liabilities		
Lease liabilities	8,554,702	8,953,425
Deposit liability	175,000	100,000
Promissory note payable	-	2,026,667
Derivative liability	239,700	1,006,368
Reclamation obligation	52,659	55,272
Total liabilities	23,996,328	28,115,848
Commitments and contingencies (Notes 17 and 20)		
SHAREHOLDERS' EQUITY		
Common stock, no par value; unlimited shares authorized; 120,047,814 and 120,047,814 shares issued and outstanding as of January 31, 2023 and 2022, respectively	105,445,792	105,236,351
Commitment to issue shares	628,141	628,141
Accumulated other comprehensive loss	(2,287,145)	(2,370,967)
Deficit	(69,471,712)	(69,764,923)
Total shareholders' equity	34,315,076	33,728,602
Total liabilities and shareholders' equity	58,311,404	61,844,450

On behalf of the Board:

"Bruce Macdonald" Director

"Michael Kidd" Director

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

C21 INVESTMENTS INC.**Consolidated Statements of Income and Comprehensive Income**

(Expressed in U.S. dollars, except number of shares)

	Years ended January 31	
	2022	
	(As restated -	
	2023	Note 2)
	\$	\$
Revenue	28,888,410	32,982,976
Cost of sales	15,487,264	14,172,991
Gross profit	13,401,146	18,809,985
Selling, general and administrative expenses	9,445,908	9,055,174
Income from operations	3,955,238	9,754,811
Accretion expense	-	(230,462)
Gain on change in fair value of derivative liabilities	742,483	8,576,290
Impairment loss	(20,726)	-
Interest expense	(456,691)	(1,077,068)
Other (expenses) income	(28,996)	108,470
Net income from continuing operations before income taxes	4,191,308	17,132,041
Income tax expense	(2,809,768)	(4,934,467)
Net income from continuing operations after income taxes	1,381,540	12,197,574
Net loss from discontinued operations after income taxes	(1,088,329)	(2,242,644)
Net income	293,211	9,954,930
Other comprehensive income (loss)		
Cumulative translation adjustment	83,822	(766,841)
Comprehensive income	377,033	9,188,089
Basic income per share from continuing operations	0.01	0.10
Diluted income per share from continuing operations	0.01	0.10
Basic and diluted loss per share from discontinued operations	(0.01)	(0.02)
Basic income per share	0.00	0.08
Diluted income per share	0.00	0.08
Weighted average number of common shares outstanding - basic	120,047,814	118,308,584
Weighted average number of common shares outstanding - diluted	122,880,907	121,141,677

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

C21 INVESTMENTS INC.**Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in U.S. dollars, except number of shares)

	Number of shares	Common stock	Commitment to issue shares	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance, January 31, 2021 (As restated - Note 2)	117,057,860	103,636,830	649,928	(1,604,126)	(79,719,853)	22,962,779
Commitment to issue shares on purchase of EFF	19,774	21,787	(21,787)	-	-	-
Shares issued on exercise of Phantom Farms warrants	456,100	533,326	-	-	-	533,326
Shares issued on exercise of guaranteed warrants	1,214,080	-	-	-	-	-
Shares issued - settlement of earn out shares	1,300,000	677,939	-	-	-	677,939
Share-based compensation	-	366,469	-	-	-	366,469
Net income and other comprehensive loss for the year	-	-	-	(766,841)	9,954,930	9,188,089
Balance, January 31, 2022 (As restated - Note 2)	120,047,814	105,236,351	628,141	(2,370,967)	(69,764,923)	33,728,602
Share-based compensation	-	209,441	-	-	-	209,441
Net income and other comprehensive income for the year	-	-	-	83,822	293,211	377,033
Balance, January 31, 2023	120,047,814	105,445,792	628,141	(2,287,145)	(69,471,712)	34,315,076

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

C21 INVESTMENTS INC.
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

	Years ended January 31,	
	2022	
	(As restated -	
	2023	Note 2)
	\$	\$
OPERATING ACTIVITIES		
Net income after taxes from continuing operations	1,381,540	12,197,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion expense	-	230,462
Amortization of right-of-use assets	490,351	461,364
Deferred income tax (recovery) expense	(56,920)	590,072
Depreciation and amortization	1,843,366	1,818,325
Foreign exchange (gain) loss	(21,670)	500,462
Gain on change in fair value of derivative liabilities	(742,483)	(8,576,290)
Impairment loss	20,726	-
Interest expense	456,360	83,058
Provision to record inventory at net realizable value	174,453	-
Share-based compensation	209,441	366,469
Changes in operating assets and liabilities:		
Receivables	(201,887)	(94,406)
Inventory	(293,553)	(1,361,826)
Prepaid expenses and deposits	(108,178)	4,587
Assets classified as held for sale	-	790,828
Accounts payable and accrued liabilities	184,662	1,568,932
Income taxes payable	2,866,688	1,198,502
Deferred revenue	94,068	-
Lease liabilities	(325,697)	(534,098)
Liabilities classified as held for sale	-	(805,406)
Cash provided by operating activities of continuing operations	5,971,267	8,438,609
Cash used in operating activities of discontinued operations	(71,292)	(1,602,478)
INVESTING ACTIVITIES		
Purchases of property and equipment	(442,285)	(2,562,304)
Cash used in investing activities of continuing operations	(442,285)	(2,562,304)
Cash provided by investing activities of discontinued operations	51,357	1,168,349
FINANCING ACTIVITIES		
Principal repayments on promissory note payable	(6,080,000)	(6,080,000)
Repayments of convertible promissory notes	(40,000)	(1,210,000)
Cash proceeds from warrants	-	533,326
Interest paid in cash	(505,747)	(1,082,500)
Lease payments received	-	100,000
Cash used in financing activities of continuing operations	(6,625,865)	(7,739,174)
Cash used in financing activities of discontinued operations	(58,032)	(105,360)
Effect of foreign exchange on cash	(1,361)	(766,841)
Decrease in cash during the year	(1,176,211)	(3,169,199)
Cash beginning of year	3,067,983	6,237,182
Cash end of year	1,891,772	3,067,983
Supplemental disclosure of cash flow information		
Interest paid in cash	505,747	2,322,855
Income taxes paid in cash	-	3,145,893
Non-cash financing activities		
Fair value of common shares issued in settlement of Phantom Farms earn out shares	-	677,939
Fair value of common shares issued as partial settlement of commitment to issue shares	-	21,787

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

1. NATURE OF OPERATIONS

C21 Investments Inc. (the "Company" or "C21") was incorporated January 15, 1987, under the Company Act of British Columbia. The Company is a publicly traded company with its registered office is 170-601 West Cordova Street, Vancouver, BC, V6B 1G1.

Pursuant to a change of business announced on January 29, 2018 to the Cannabis industry, the Company commenced acquiring and operating revenue-producing cannabis operations in the USA.

On June 15, 2018, the Company's common shares were delisted from the TSX Venture Exchange ("TSX-V") at the Company's request and on June 18, 2018 the Company commenced trading on the Canadian Securities Exchange ("CSE"), completed its change of business to the cannabis industry and commenced trading under the symbol CXXI. The Company registered its common shares in the United States and on May 6, 2019, its shares were cleared by the Financial Industry Regulatory Authority for trading on the OTC Markets platform under the U.S. trading symbol CXXIF. On September 28, 2020, the Company began trading on the OTCQB® Venture Market.

For the year ended January 31, 2021, the Company operated in two segments: recreational cannabis in Oregon, USA and recreational and medical cannabis in Nevada, USA (Note 16). During the year ended January 31, 2022, the Company made the strategic decision to exit operations in Oregon. The comparative results of operations have been re-stated to present the operating results of the Oregon segment as discontinued operations. The Nevada segment remains engaged in the cultivation of and manufacturing of cannabis flower products, vape products and extract products for wholesale and retail sales.

At January 31, 2023, the Company had a working capital deficit of \$6,231,895 (2022 - \$5,689,642) and an accumulated deficit of \$69,471,712 (2022 - \$69,764,923). However, for the year ended January 31, 2023, the Company generated net income and positive cash flows from continuing operations.

At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level. There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal status. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

2. BASIS OF PREPARATION

a) Basis of presentation

These consolidated financial statements as of and for the years ended January 31, 2023 and 2022 ("consolidated financial statements") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments classified as fair value through profit or loss.

b) Functional and reporting currency

The functional currency of C21 Investments Inc. is Canadian dollars ("C\$"), and the functional currency of the Company's subsidiaries is U.S. dollars. C21 has determined that the U.S. dollar ("USD") is the most relevant and appropriate reporting currency as the Company's operations are conducted in U.S. dollars and its financial results are prepared and reviewed internally by management in U.S. dollars. The consolidated financial statements are presented in U.S. dollars unless otherwise noted.

C21 INVESTMENTS INC.
Notes to the Consolidated Financial Statements
For the years ended January 31, 2023 and 2022
(Expressed in U.S. dollars, except as noted)

2. BASIS OF PREPARATION (continued)

c) Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and all the entities in which the Company has a controlling voting interest and is deemed to be the primary beneficiary. All consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements from the date of acquisition. All intercompany balances and transactions are eliminated upon consolidation.

A summary of the Company's subsidiaries included in these financial statements as at January 31, 2023 is as follows:

Name of subsidiary ⁽¹⁾	Principal activity
320204 US Holdings Corp.	Holding Company
320204 Oregon Holdings Corp.	Holding Company
320204 Nevada Holdings Corp.	Holding Company
320204 Re Holdings, LLC	Holding Company
Eco Firma Farms LLC ⁽²⁾	Cannabis producer
Silver State Cultivation LLC	Cannabis producer
Silver State Relief LLC	Cannabis retailer
Swell Companies LTD ⁽²⁾	Cannabis processor, distributor
Megawood Enterprises Inc. ⁽²⁾	Cannabis retailer
Phantom Venture Group, LLC ⁽²⁾	Holding Company
Phantom Brands, LLC ⁽²⁾	Holding Company
Phantom Distribution, LLC ⁽²⁾	Cannabis distributor
63353 Bend, LLC ⁽²⁾	Cannabis producer
20727-4 Bend, LLC ⁽²⁾	Cannabis processor
4964 BFH, LLC ⁽²⁾	Cannabis producer
Workforce Concepts 21, Inc.	Payroll and benefits services

(1) All subsidiaries of the Company were incorporated in the USA, are wholly owned and have USD as their functional currency.

(2) Operations discontinued and results included in discontinued operations.

d) Restatement of the January 31, 2022 consolidated financial statements

The January 31, 2022 balances have been restated for an error in the Company's measurement of income taxes payable. The Company identified amounts of depreciation, amortization and lease payments included in its calculation of income taxes payable for the years ended January 31, 2022 and 2021 that are ineligible for deduction. The Company also identified amounts of inventory impairments that were not included as deductible expenses.

The effects of the restatement in the consolidated balance sheet as at January 31, 2022 are as follows:

	Previously reported	Change	Restated
	\$	\$	\$
Income taxes payable	3,658,162	1,212,008	4,870,170
Deferred tax asset	9,024	(9,024)	-
Deferred tax liability	-	33,558	33,558
Deficit	(68,510,333)	(1,254,590)	(69,764,923)

The effects of the restatement in the consolidated statement of comprehensive income for the year ended January 31, 2022 are as follows:

	Previously reported	Change	Restated
	\$	\$	\$
Income tax expense	(3,973,246)	(961,221)	(4,934,467)

2. BASIS OF PREPARATION (continued)

For the year ended January 31, 2022, the consolidated statement of cash flows contains an adjustment of \$961,221 within net income after taxes from continuing operations and changes in income taxes payable. Opening deficit as at January 31, 2022 contains an adjustment of \$293,370 in respect of income tax expense pertaining to ineligible deductions in the year ended January 31, 2021.

For the year ended January 31, 2022, basic and diluted income per share from continuing operations and basic and diluted income per share decreased from \$0.11 and \$0.09, respectively, to \$0.10 and \$0.08, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting estimates and assumptions

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and judgments.

Areas requiring a significant degree of estimation and judgment relate to the determination of recoverability of goodwill, recoverability of intangible assets, fair value less costs to sell of assets classified as held for sale, estimates used in valuation and costing of inventory, impairment of long-lived assets and inventory, fair value measurements, useful lives, depreciation and amortization of property, equipment and intangible assets, the recoverability and measurement of deferred tax assets and liabilities, share-based compensation, and fair value of derivative liabilities.

b) Cash

Cash held in financial institutions and cash held at retail locations, have carrying values that approximate fair value.

The recent closures of Silicon Valley Bank, Signature Bank and First Republic Bank and their placement into receivership with the Federal Deposit Insurance Corporation ("FDIC") have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds, even deposit amounts that exceed FDIC deposit insurance limits, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages.

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available for our operations or delay our ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. We do not currently have a commercial relationship with a bank that has failed or is, to our knowledge, otherwise is experiencing operational distress, nor have we experienced delays or other issues in meeting our financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our cash may be threatened and could have a material adverse effect on our business operations and financial condition.

As at January 31, 2023, the Company had FDIC coverage over \$697,945 (January 31, 2022 - \$850,704) of its cash balance.

c) Foreign currency translation

Foreign currency transactions are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of income and comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Assets and liabilities of foreign operations are translated into U.S. dollars at year-end exchange rates and any revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventory

Inventory consists of raw materials, consumables and packaging supplies used in the process to prepare inventory for sale; work in process consisting of pre-harvested cannabis plants, by-products to be extracted, oils and terpenes; and finished goods.

Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method. Net realizable value is calculated as the estimated selling price in the ordinary course of business, less any estimated costs to complete and sell the goods. Costs are capitalized to inventory, until substantially ready for sale. Costs include direct and indirect labor, raw materials, consumables, packaging supplies, utilities, facility costs, quality and testing costs, production related depreciation and other overhead costs. The Company records inventory reserves for obsolete and slow-moving inventory.

Inventory reserves are based on inventory obsolescence trends, and the historical and professional experience of management. The Company classifies cannabis inventory as a current asset, although, due to the duration of the cultivation, drying, and conversion process, certain inventory items may not be realized in cost of sales within one year.

e) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and losses on impairment.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Furniture & fixtures	5 years
Computer equipment	3 years
Machinery & equipment	2-7 years
Leasehold improvements	shorter of the life of the improvement or the remaining life of the lease

f) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. Amortization of intangible assets begins when the asset becomes available for use. Brands, licenses, and customer relationships are amortized over 10 years, which reflect the estimated useful lives of the intangible assets.

g) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net intangible and tangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company's goodwill is part of the Nevada reporting unit.

Goodwill is tested annually for any impairment, or more frequently in the case that events or circumstances indicate that the carrying amount of a reporting unit may not be recoverable. The Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If factors indicate this is the case, then a quantitative test is performed and an impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill.

For the years ended January 31, 2023 and 2022, the recoverable amount of goodwill allocated to the Nevada reporting unit exceeded the carrying amount and as such, no impairment was noted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of long-lived assets

Long-lived assets include property and equipment, right-of-use assets, and intangible assets with finite useful lives.

At the end of each fiscal year, the Company reviews the intangible assets' estimated useful lives and amortization methods, with the effect of any changes in estimates accounted for on a prospective basis.

Long-lived assets are reviewed for indicators of impairment at each statement of balance sheet date or whenever events or changes in circumstances indicate that a potential impairment has occurred. The Company groups assets at the lowest level for which cash flows are separately identifiable, referred to as an asset group. When indicators of potential impairment are present the Company prepares a projected undiscounted cash flow analysis to determine the recoverable amount for the respective asset or asset group. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded as in profit or loss equal to the amount by which the carrying amount exceeds the fair value.

i) Assets and liabilities held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. The comparative consolidated balance sheet is re-presented to classify assets as held for sale in the period that the respective assets are classified as held for sale.

k) Convertible instruments

The Company accounts for convertible debt as a single unit of account, unless the conversion feature requires bifurcation and recognition as a derivative. Additionally, the Company uses the if-converted method for all convertible instruments in the diluted earnings per share calculation and includes the effect of potential share settlement for instruments that may be settled in cash or shares.

l) Leases

Upon commencement of a contract containing a lease, the Company classifies leases other than short-term leases as either an operating lease or a finance lease according to the criteria prescribed by *ASU 2016-02, Leases* ("ASC 842"). The lease classification is reassessed only when: (a) the contract is modified and the modification is not accounted for as a separate contract, and (b) there is a change in the lease term or the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset. The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less.

For both finance leases and operating leases, right-of-use assets and lease liabilities are initially measured as the present value of future lease payments and initial direct costs discounted at the interest rate implicit in the lease, or if that rate is not readily determinable, the Company's incremental borrowing rate. Subsequent measurement of lease liabilities classified as finance leases is at amortized cost using the effective interest rate method. Subsequent measurement of right-of-use assets classified as finance leases is at carrying amount less accumulated amortization, where amortization is recorded straight-line over the lease term. Subsequent measurement of lease liabilities classified as operating leases is at the present value of the unpaid lease payments discounted at the discount rate for the lease established at the commencement date. Subsequent measurement of right-of-use assets classified as operating leases is carrying amount less accumulated amortization where amortization is calculated as the difference between straight-line lease cost for the period, including amortization of initial direct costs, and the periodic accretion of the lease liability.

m) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recorded initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent measurement depends on how the financial instrument has been classified and may be at fair value or amortized cost. For financial instruments subsequently measured at fair value, the Company calculates the estimated fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models including the Black-Scholes option pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Inputs that are not based on observable market data.

There have been no transfers between fair value hierarchy levels during the years ended January 31, 2023 and 2022.

The Company's measures the derivative liability at fair value using Level 3 inputs.

The Company's cash, receivables, accounts payable and accrued liabilities, and income taxes payable are recorded at cost. The carrying values of these financial instruments approximate their fair value due to their short-term maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Financial instruments subsequently measured at amortized cost include promissory note payable, convertible promissory notes, and reclamation obligation.

n) Share-based compensation

The Company measures equity settled share-based payments based on their fair value at their grant date and recognizes share-based compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Consideration paid to the Company on the exercise of stock options is recorded as common stock.

o) Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the differences are expected to reverse.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

The Company recognizes uncertain income tax positions at the largest amount that is more-likely-than-not to be sustained upon examination by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Recognition or measurement is reflected in the period in which the likelihood changes. Any interest and penalties related to unrecognized tax liabilities are presented within income tax expense in the consolidated statements of comprehensive income.

p) Earnings (loss) per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share is computed by dividing net loss by the weighted average shares outstanding adjusted for additional shares from the assumed exercise of stock options, restricted share units, or warrants, if dilutive.

The number of additional shares is calculated by assuming the outstanding dilutive convertible instruments, options, and warrants are exercised and that the assumed proceeds are used to acquire common shares at the average market price during the year. Diluted loss per share figures for the years presented are equal to those of basic loss per share for the years since the effects of convertible instruments, stock options and warrants are anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Revenue recognition

Revenue is recognized by the Company in accordance with ASC 606 - *Revenue From Contracts With Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under ASC 606, the Company applies the following five steps:

1. Identify a customer along with a corresponding contract
2. Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer
3. Determine the transaction price that the Company expects to be entitled to in exchange for transferring promised goods or services to a customer
4. Allocate the transaction price to the performance obligation(s) in the contract
5. Recognize revenue when or as the Company satisfies the performance obligation(s) in the contract

The Company's contracts with customers for the sale of dried cannabis and other products derived from cannabis consist of one performance obligation, being the transfer of control of the goods to the customer at the point of sale. The Company transfers control and satisfies its performance obligation when collection has taken place, compliant documentation has been signed, and the product was accepted by the buyer. The Company does not have performance obligations subsequent to delivery on the sale of goods to customers and revenues from sale of goods are recognized at a "point in time", which is upon passing of control to the customer.

Provisions for expected credit losses on accounts receivable are based on the Company's assessment of the collectability of specific customer balances, which is based upon a review of the customer's creditworthiness and past collection history. For trade receivables deemed to be uncollectible, and arose from the sale of goods, the Company will write off the specific balance against the allowance for doubtful accounts when it is known that a provided amount will not be collected.

The Company disaggregates its revenues based on sales to its retail customers where cash is received immediately versus wholesale customers to whom the Company extends credit terms. For the year ended January 31, 2023, revenue from retail sales from continuing operations totaled \$26,713,239 (2022 - \$32,351,024) and revenue from wholesale from continuing operations totaled \$2,175,171 (2022 - \$631,952).

r) Loyalty program

The Company offers a loyalty reward program to its dispensary customers that allows customers to earn reward credits that can be applied to future purchases. Loyalty reward credits issued as part of a sales transaction result in revenue being deferred until the loyalty reward is redeemed by the customer. The loyalty rewards are shown as reductions to the 'Revenue' line within the accompanying consolidated statements of income and comprehensive income and included as deferred revenue on the consolidated balance sheets. A portion of the revenue generated in a sale must be allocated to the loyalty points earned. The amount allocated to the points earned is deferred until the loyalty points are redeemed or expire. The loyalty program expiration policy is six months. As of January 31, 2023 and 2022, the loyalty liability totaled \$94,068 and \$nil, respectively, and is included in deferred revenue on the consolidated balance sheets.

s) Reclamation obligation

The Company recognizes the fair value of a legal or constructive liability for a reclamation obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for a reclamation obligation due to the passage of time will be recognized within accretion expense. The amount will be recognized as an increase in the liability and an accretion expense in the consolidated statements comprehensive income. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

t) Recently issued accounting pronouncements

Recent accounting pronouncements, other than those below, issued by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants and the U.S. Securities and Exchange Commission did not or are not believed by management to have a material effect on the Company's present or future financial statements.

C21 INVESTMENTS INC.
Notes to the Consolidated Financial Statements
For the years ended January 31, 2023 and 2022
(Expressed in U.S. dollars, except as noted)

4. DISCONTINUED OPERATIONS

In January 2022, the Company entered into a lease-to-own arrangement with a lessee for certain licenses, land and equipment in Oregon, USA, representing its outdoor growing operation. The lease-to-own arrangement concludes in January 2027 with total undiscounted payments over the term amounting to \$2,514,805. The Company determined that the arrangement should be accounted for as a sales-type lease and concluded that it is not probable that all required payments will be made such that title will transfer at the end of the term. As such, in accordance with ASC 842, the land and equipment have not been derecognized and payments received will be recorded as a deposit liability until such time that collectability becomes probable. As at January 31, 2023, \$175,000 has been received under the arrangement and has been recorded as a deposit liability.

As a result of non-profitable operations in the Oregon reporting unit, the Company began to wind down operations in Oregon beginning in the year ended January 31, 2021. At January 31, 2021, the Company classified the assets and liabilities in Swell and Megawood as held for sale and completed the sale of these assets in April 2021. By January 31, 2022, the Company made the decision to cease all growing, manufacturing, and processing activities in Bend, Oregon. As the Oregon reporting unit comprises the assets of multiple components in distinct geographic locations, management anticipates completing the sale on a piecemeal basis. Management is engaged in an active program to seek buyers for the major classes of assets and liabilities in Oregon in order to complete a sale in the next twelve months.

On July 20, 2022, the Company sold the remaining Oregon inventory with a book value of \$357,540 for proceeds of \$357,540.

During the year ended January 31, 2023, net loss from discontinued operations included impairment loss attributable to inventory in Oregon in the amount of \$5,851 (2022 - \$1,093,308) in order to record inventory at its net realizable value.

During the year ended January 31, 2023, net loss from discontinued operations included impairment of right-of-use assets in Oregon in the amount of \$183,745 (2022 - \$nil) that the Company concluded had a recoverable amount of \$nil.

Prepaid expenses classified as held for sale primarily relates to the renewal of licenses that may be transferred in the event of a sale. Otherwise, prepaid expenses will be expensed within loss from discontinued operations over the next twelve months.

For the year ended January 31, 2023, the Company recorded a provision for expected credit losses on previously recorded management fees receivable of \$218,425 (2022 - \$111,616).

Long-term debt consists of vehicle loans and a building mortgage. The mortgage began on February 1, 2015 and matures on January 1, 2035 (20 years). The mortgage bears interest at a fixed rate of 4.5% with payments made monthly. The equipment and vehicle loans consist of three loans with maturity dates ranging from June 1, 2021 through May 15, 2023 and interest rates ranging from 5.59% to 19.9% with payments made monthly.

The following table summarizes the major classes of assets and liabilities of the discontinued Oregon operation that have been classified as held-for-sale in the consolidated balance sheets:

	January 31, 2023	January 31, 2022
	\$	\$
Carrying amounts of the major classes of assets included in discontinued operations:		
Receivables	15,522	64,456
Inventory	-	363,391
Prepaid expenses and deposits	84,972	111,617
Deferred tax asset	143,078	152,177
Property and equipment	1,139,517	1,139,517
Right-of-use assets	-	346,987
Total assets classified as held for sale	1,383,089	2,178,145
Carrying amounts of the major classes of liabilities included in discontinued operations:		
Lease liabilities	216,298	412,093
Long-term debt	423,968	462,286
Total liabilities classified as held for sale	640,266	874,379

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4. DISCONTINUED OPERATIONS (continued)

A summary of the Company's major classes of line items constituting net loss from discontinued operations for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Revenue	357,540	1,128,403
Cost of sales	357,540	1,602,257
Gross loss	-	(473,854)
Expenses (income)		
Selling, general and administrative expenses	608,112	638,521
Impairment loss	245,682	1,093,308
Provision for expected credit losses	218,425	111,616
Other income	6,861	(32,231)
Net loss from discontinued operations before income taxes	(1,079,080)	(2,285,068)
Income tax (recovery) expense	(9,249)	42,424
Net loss from discontinued operations after income taxes	(1,088,329)	(2,242,644)

A summary of the Company's cash flows from discontinued operations for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Net cash used in operating activities of discontinued operations	(71,292)	(1,602,478)
Net cash provided by investing activities of discontinued operations	51,357	1,168,349
Net cash used in financing activities of discontinued operations	(58,032)	(105,360)

5. SECURITY DEPOSIT

Non-current assets include a security deposit with the Alberta Energy Regulator ("AER") under the AER's Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the AER is determined based on a monthly licensee management rating assessment. At January 31, 2023, the security deposit had a balance of \$46,871 (January 31, 2022 - \$49,011).

6. RECEIVABLES

A summary of the Company's receivables is as follows:

	January 31, 2023	January 31, 2022
	\$	\$
Taxes receivable	10,834	11,945
Trade receivables	401,476	198,478
	412,310	210,423

There was no provision for expected credit losses on trade receivables at January 31, 2023 or January 31, 2022.

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7. INVENTORY

A summary of the Company's inventory is as follows:

	January 31, 2023	January 31, 2022
	\$	\$
Finished goods	1,556,353	1,848,392
Work in process	2,494,455	2,029,133
Raw materials	122,765	176,948
	4,173,573	4,054,473

During the year ended January 31, 2022, cost of sales includes a provision to record inventory at net realizable value of \$174,453 (January 31, 2022 - \$nil). Finished goods inventory is presented net of the provision to record inventory at net realizable value.

8. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

a) Property and equipment

A summary of the Company's property and equipment is as follows:

	January 31, 2023	January 31, 2022
	\$	\$
Land	1,330,000	1,330,000
Leasehold improvements	1,775,896	1,758,229
Furniture & fixtures	468,696	460,890
Computer equipment	6,659	46,484
Machinery & equipment	2,450,919	2,305,217
	6,032,170	5,900,820
Less: accumulated depreciation	(1,347,052)	(1,031,227)
	4,685,118	4,869,593

Total depreciation expense for the year ended January 31, 2023 was \$533,702 (2022 - \$472,998). Of the total depreciation expense, \$472,096 was allocated to inventory (2022 - \$260,006). During the year, the Company disposed of property and equipment with a cost of \$309,907 and accumulated depreciation of \$217,877.

At January 31, 2022, the Company reclassified buildings with a cost of \$1,370,212 and accumulated depreciation of \$230,695 to assets classified as held for sale.

b) Right-of-use assets

The Company's right-of-use assets result from its operating leases (Note 11) and consist of land and buildings used in the cultivation, processing, and warehousing of its products.

At January 31, 2023, assets classified as held for sale contains right-of-use assets with a carrying value of \$nil (January 31, 2022 - \$346,987). Management estimated the fair value less costs to sell of right-of-use assets classified as held for sale at January 31, 2023 was \$nil (January 31, 2022 - \$346,987).

9. INTANGIBLE ASSETS AND GOODWILL

a) Intangible assets

A summary of the Company's intangible assets subject to amortization is as follows:

	January 31, 2023	January 31, 2022
	\$	\$
Licenses	12,167,021	12,141,476
Brands	644,800	868,982
Customer relationships	1,540,447	1,758,553
	14,352,268	14,769,011
Less: accumulated amortization	(6,465,443)	(5,544,846)
	7,886,825	9,224,165

During the year ended January 31, 2023, the Company recognized amortization expense on intangible assets of \$1,337,336 (2022 - \$1,370,286).

During the year ended January 31, 2022, the Company recognized impairment charges of \$363,510 on customer relationships allocated to the Oregon reporting unit (Note 4).

The estimated aggregate amortization expense for each of the five succeeding years is as follows:

	\$
January 31, 2024	1,337,336
January 31, 2025	1,337,336
January 31, 2026	1,337,336
January 31, 2027	1,337,336
January 31, 2028	1,325,336
Thereafter	1,212,145
	7,886,825

b) Goodwill

As at January 31, 2023 and 2022, the Company had goodwill of \$28,541,323 and \$28,541,323, respectively, which was allocated to the Nevada reporting unit. There was no impairment on goodwill identified in either year.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	January 31, 2023	January 31, 2022
	\$	\$
Accounts payable	1,842,089	1,402,546
Accrued liabilities	450,485	428,414
EFF settlement accrual (Note 20)	612,500	612,500
Interest payable	16,352	65,409
	2,921,426	2,508,869

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11. LEASES

The Company's leases consist of land and buildings used in the cultivation, processing, and warehousing of its products. All leases were classified as operating leases in accordance with ASC 842.

A summary of the Company's active leases and total lease term under contract as at January 31, 2023 is as follows:

Entity Name/Lessee	Asset	Lease term	Type
Silver State Cultivation LLC	Land/ Building	12	Operating lease
Silver State Relief LLC (Sparks)	Land/ Building	12	Operating lease
Silver State Relief LLC (Fernley)	Land/ Building	12	Operating lease
Phantom Distribution, LLC	Land/ Building	5	Operating lease
63353 Bend, LLC	Land/ Building	5	Operating lease
20727-4 Bend, LLC	Land/ Building	5	Operating lease

For the year ended January 31, 2023, the Company incurred operating lease costs in continuing operations of \$1,403,743, (2022 - \$1,403,743). Of this amount, \$812,368 (2022 - \$812,368) was allocated to inventory.

A summary of the Company's weighted average discount rate used in calculating lease liabilities and weighted average remaining lease term is as follows:

	January 31, 2023	January 31, 2022
Weighted average discount rate	10%	10%
Weighted average remaining lease term (years)	9.63	10.46

A summary of the maturity of contractual undiscounted liabilities associated with the Company's operating leases as of January 31, 2023 is as follows:

Year ending January,	\$
2024	1,276,262
2025	1,314,551
2026	1,353,987
2027	1,394,607
2028	1,436,445
Thereafter	7,712,494
Total undiscounted lease liabilities	14,488,346
Interest on lease liabilities	(5,534,921)
Total present value of minimum lease payments	8,953,425
Current portion of lease liability	398,723
Lease liability	8,554,702

As at January 31, 2023, liabilities classified as held for sale include lease liabilities of \$216,298 (2022 - \$412,093) and pertain to the operating leases in Phantom Distribution, LLC, 63353 Bend, LLC and 20727-4 Bend, LLC.

As at January 31, 2023, the Company has total undiscounted lease liabilities of \$14,488,346 pertaining to lease liabilities in continuing operations and total undiscounted lease liabilities of \$228,192 which are classified as held for sale and pertain to the operating leases in Phantom Distribution, LLC, 63353 Bend, LLC and 20727-4 Bend, LLC.

12. PROMISSORY NOTES

Transaction costs related to the issuance of convertible promissory notes are apportioned to their respective financial liability and equity components (if applicable) in proportion to the allocation of proceeds as a reduction to the carrying amount of each component.

When valuing the financial liability component of the promissory notes, the Company used specific interest rates assuming no conversion features existed. The resulting liability component is accreted to its face value over the convertible note's term until its maturity date.

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12. PROMISSORY NOTES (continued)

a) Convertible promissory notes

A summary of the Company's convertible promissory notes denominated in U.S. dollars is as follows:

	June 13, 2018 issuance	May 24, 2019 issuance	Total
	\$	\$	\$
Balance, January 31, 2021	1,072,590	1,130,056	2,202,646
Payment	-	(1,210,000)	(1,210,000)
Interest expense	17,649	40,685	58,334
Accretion expense	191,203	39,259	230,462
Balance, January 31, 2022	1,281,442	-	1,281,442
Payment	(41,600)	-	(41,600)
Interest expense	1,600	-	1,600
Loss on foreign exchange translation	(85,183)	-	(85,183)
Balance, January 31, 2023	1,156,259	-	1,156,259

On August 19, 2022, the Company repaid \$41,600 comprised of \$40,000 of principal and \$1,600 of interest related to the June 13, 2018 issuance of convertible promissory notes.

On June 13, 2018, the Company issued convertible promissory notes to the vendors that sold Eco Firma Farms, LLC ("EFF") to the Company in the aggregate principal amount of \$2,000,000. The convertible promissory notes were convertible at \$1.00 per share. The convertible promissory notes accrue interest at a rate of 4% per annum, compounded annually, and were fully due and payable on June 13, 2021. The Company is in an ongoing dispute with the vendors over repayment (Note 20). On issuance, the Company determined the conversion feature was a derivative liability as the convertible promissory notes were exercisable in USD while the functional currency of the Company is Canadian dollars. The conversion feature expired on June 13, 2021 and as such the fair value of the conversion feature as at January 31, 2023 was \$nil (January 31, 2022 - \$nil).

On May 24, 2019, the Company issued a two-year unsecured convertible promissory note to a debtor of Swell Companies in the principal amount of \$1,000,000. The convertible note accrues interest at 10% per annum compounded annually and payable at maturity. The note is convertible into common shares of the Company at a conversion price of \$1.56 per share and may be converted at the maturity date. On issuance, the Company determined the conversion feature was a derivative liability as the convertible promissory notes are exercisable in USD while the functional currency of the Company is Canadian dollars. On May 24, 2021 the note was fully repaid.

b) Promissory note payable

A summary of the Company's promissory note payable denominated in USD is as follows:

	\$
Balance, January 31, 2021	14,186,667
Repayments	(6,080,000)
Balance, January 31, 2022	8,106,667
Repayments	(6,080,000)
Balance, January 31, 2023	2,026,667
Current portion	2,026,667
Non-current portion	-

On January 1, 2019, the Company issued a promissory note to Mr. Newman, who sold Silver State to the Company in the principal amount of \$30,000,000. The promissory note is payable in the following principal instalments: \$3,000,000 on April 1, 2019, \$6,000,000 on each of July 1, 2019, October 1, 2019, January 1, 2020, and April 1, 2020, and \$3,000,000 on July 1, 2020. The promissory note accrues interest at a rate of 10% per annum. The promissory note is secured by all of the outstanding membership interests, and a security interest in all of the assets, of Silver State.

On July 1, 2019, the terms of the promissory note payable for the acquisition of Silver State were amended to call for immediate payment of \$2,000,000 plus accrued interest on July 1, 2019 followed by payments of \$800,000 plus accrued interest on the first of each of August, September, October, November, and December 2019.

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12. PROMISSORY NOTES (continued)

Effective November 21, 2019 and June 25, 2020, Mr. Newman and the Company agreed to further amend the terms of the promissory note due to Mr. Newman. The December 1, 2019 principal payment of \$800,000 was cancelled and the monthly principal payments thereafter were reduced to \$600,000 per month. Further, the annual interest rate on the note was reduced from 10% to 9.5%. The remaining balance on the promissory note is due and payable on January 1, 2021. This modification resulted in a gain of \$nil.

On November 19, 2020, the Company announced an agreement with Mr. Newman that the remaining \$15,200,000 principal outstanding on his promissory note, due to mature on January 1, 2021, was amended with lower monthly payments amortized over a 30-month period. Commencing December 1, 2020, the monthly payments are \$506,667 plus interest. The interest rate at 9.5% was unchanged.

For the year ended January 31, 2023, interest expense was \$455,091 (2022 - \$1,032,691). Interest paid during the year ended January 31, 2023 was \$504,147 (2022 - \$1,082,500).

13. DERIVATIVE LIABILITY

A summary of the Company's derivative liabilities is as follows:

	Conversion feature of convertible promissory notes	Earn out shares	Total
	\$	\$	\$
Balance, January 31, 2021	485,157	9,273,970	9,759,127
Fair value adjustment on derivative liabilities	(485,157)	(8,091,133)	(8,576,290)
Settlement of Phantom earn out	-	(677,939)	(677,939)
Effect of foreign exchange	-	501,470	501,470
Balance, January 31, 2022	-	1,006,368	1,006,368
Fair value adjustment on derivative liabilities	-	(742,483)	(742,483)
Effect of foreign exchange	-	(24,185)	(24,185)
Balance, January 31, 2023	-	239,700	239,700

Upon the February 4, 2019 acquisition of Phantom Farms, the vendors can earn up to 4,500,000 'earn out' shares over a period of seven years. The conditions were based on the Company's common shares exceeding certain share prices during the period. The fair value of the derivative liability is derived using a Monte Carlo simulation. On January 24, 2022, the Company issued 1,300,000 common shares for full settlement of the Phantom earn out shares.

Upon the May 24, 2019 acquisition of Swell Companies, the vendors can earn up to 6,000,000 'earn out' shares over a period of seven years. The conditions were based on the Company's common shares exceeding certain share prices during the period. Additionally, the 50% of the earn out shares are earned upon a change of control of the Company. The fair value of the derivative liability is derived using a Monte Carlo simulation.

A summary of the Company's significant inputs into the Monte Carlo simulation used to determine the fair value of earn out shares is as follows:

	January 31, 2023	January 31, 2022
Discount rate	4.43%	1.24%
Expected life in years	3.31	4.33
Expected stock volatility	80%	80%
Expected volatility of foreign exchange	6.40%	6.52%

The conversion feature of the June 13, 2018 and May 24, 2019 convertible promissory notes expired on June 13, 2021 and May 24, 2021, respectively. As such, the fair value of each at January 31, 2023 and 2022 was \$nil and \$nil, respectively.

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14. SHARE CAPITAL

Share capital consists of one class of fully paid common shares, with no par value. The Company is authorized to issue an unlimited number of common shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

A summary of the Company's share capital is as follows:

	Number of shares	Common stock
	#	\$
Balance, January 31, 2021	117,057,860	103,636,830
Shares issued - Phantom Farm warrants exercises ⁽¹⁾	456,100	533,326
Shares issued - EFF commitment ⁽²⁾	19,774	21,787
Shares issued - Guaranteed warrants ⁽³⁾	1,214,080	-
Shares issued - Settlement of Earn out shares ⁽⁴⁾	1,300,000	677,939
Share-based compensation	-	366,469
Balance, January 31, 2022	120,047,814	105,236,351
Share-based compensation	-	209,441
Balance, January 31, 2023	120,047,814	105,445,792

(1) On February 4, 2021 the Company issued 456,100 shares upon the exercise of Phantom Farm warrants.

(2) On April 5, 2021, the Company issued 19,774 common shares to the vendors of EFF for a partial settlement of the Company's commitment to issue shares.

(3) On June 17, 2021, the Company issued 1,214,080 common shares pursuant to the cashless exercise of 4,160,000 warrants.

(4) On January 24, 2022, the Company issued 1,300,000 common shares for the settlement of Phantom earn out shares.

a) Commitment to issue shares

In connection with the acquisition of EFF on June 13, 2018, the Company issued a promissory note payable to deliver 1,977,500 shares to the vendors of EFF in the amount of \$1,905,635, without interest, any time after October 15, 2018. As at January 31, 2023 shares issued pursuant to this commitment total 1,184,407 shares.

b) Warrants

A summary of the Company's warrant activity is as follows:

	Warrants outstanding	Weighted average exercise price	Weighted average remaining life
	#	C\$	Years
Balance January 31, 2021	11,894,746	1.32	1.96
Exercised	(4,616,100)	1.05	
Expired	(4,038,646)	1.73	
Balance, January 31, 2022	3,240,000	1.18	2.10
Balance, January 31, 2023	3,240,000	1.18	1.10

A summary of the Company's outstanding and exercisable warrants at January 31, 2023, is as follows:

Expiry date	Exercise price	Number of warrants
	C\$	#
December 31, 2023	1.00	632,400
January 30, 2024	1.00	1,407,600
May 24, 2024	1.50	1,200,000
		3,240,000

As at January 31, 2023 and 2022, outstanding and exercisable warrants had intrinsic values of \$nil and \$nil, respectively.

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14. SHARE CAPITAL (continued)

On February 4, 2021, 456,100 warrants with an exercise price of \$1.17 (C\$1.50) were exercised to purchase 456,100 common shares of the Company for proceeds of \$533,326. Of the warrants exercised, 426,100 were exercised by a Director of the Company. On the same date, 1,243,900 warrants expired unexercised.

On June 17, 2021, 4,160,000 warrants were exercised on a cashless basis for 1,214,080 common shares of the Company.

c) Stock options

The Company is authorized to grant options to executive officers and directors, employees, and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board of Directors.

A summary of the Company's stock option activity is as follows:

	Options outstanding and exercisable	Weighted average exercise price	Weighted average remaining life
	#	C\$	Years
Balance January 31, 2021	6,965,000	1.22	2.05
Expired	(1,350,000)	2.80	
Balance, January 31, 2022	5,615,000	0.84	1.45
Granted	600,000	0.70	
Expired	(1,405,000)	1.25	
Balance, January 31, 2023	4,810,000	0.75	0.86

A summary of the Company's stock options outstanding and exercisable at January 31, 2023, is as follows:

Expiry date	Exercise price	Outstanding	Exercisable
	C\$	#	#
August 17, 2023	0.70	3,560,000	3,560,000
January 28, 2024	1.50	150,000	150,000
October 9, 2024	1.00	500,000	500,000
February 10, 2025	0.70	600,000	199,998
		4,810,000	4,409,998

As at January 31, 2023 and 2022, outstanding and exercisable stock options had intrinsic values of \$nil and \$nil, respectively.

During the year ended January 31, 2023, the Company recorded a share-based compensation expense of \$209,441 (2022 - \$366,469). A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the years ended January 31, 2023 and 2022, is as follows:

	2023	2022
Stock price	C\$0.61	
Exercise price	C\$0.70	
Risk-free rate	1.60%	-
Expected life of options	3 years	-
Annualized volatility	80%	-
Dividend rate	0%	-

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14. SHARE CAPITAL (continued)

The Company has computed the fair value of options granted using the Black-Scholes option pricing model. The expected term used for options issued to non-employees is the contractual life and the expected term used for options issued to employees and directors is the estimated period of time that options granted are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of "plain vanilla" employee option grants. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

A summary of the Company's selling, general and administration expenses for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022
	\$	\$
Accounting and legal	716,349	665,248
Depreciation and amortization	1,365,018	1,280,446
License fees, taxes and insurance	1,625,036	1,807,645
Office facilities and administrative	338,492	301,944
Operating lease cost	591,375	591,376
Other expenses	806,009	256,454
Professional fees and consulting	903,513	701,999
Salaries and wages	2,747,133	2,913,900
Sales, marketing, and promotion	83,672	83,770
Share-based compensation	209,441	366,469
Shareholder communications	18,128	26,781
Travel and entertainment	41,742	59,142
	9,445,908	9,055,174

16. SEGMENTED INFORMATION

The Company defines its major geographic operating segments as Oregon and Nevada. Due to the jurisdictional cannabis compliance issues ever-present in the industry, each state operation is by nature operationally segmented.

Key decision makers primarily review revenue, cost of sales expense, and gross margin as the primary indicators of segment performance. As the Company continues to expand via acquisition, the segmented information will expand based on management's agreed upon allocation of costs beyond gross margin.

A summary of the Company's segmented operational activity and balances for the year ended January 31, 2023 is as follows:

	Discontinued operations (Oregon)	Nevada	Corporate	Consolidated
	\$	\$	\$	\$
Total revenue	357,540	28,888,410	-	29,245,950
Gross profit	-	13,401,146	-	13,401,146
Operating expenses:				
General and administration	(386,779)	(4,397,477)	(2,798,925)	(7,583,181)
Sales, marketing, and promotion	(1,938)	(83,672)	-	(85,610)
Operating lease cost	(195,639)	(591,375)	-	(787,014)
Depreciation and amortization	(23,756)	(1,270,092)	(94,926)	(1,388,774)
Share-based compensation	-	-	(209,441)	(209,441)
Impairment of inventory	(245,682)	-	(20,726)	(266,408)
Provision for expected credit losses	(218,425)	-	-	(218,425)
Interest, accretion, and other	(6,861)	(31,327)	288,123	249,935
Net income (loss) before taxes	(1,079,080)	7,027,203	(2,835,895)	3,112,228

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16. SEGMENTED INFORMATION (continued)

A summary of the Company's segmented operational activity and balances for the year ended January 31, 2022 is as follows:

	Discontinued operations (Oregon)	Nevada	Corporate	Consolidated
	\$	\$	\$	\$
Total revenue	1,128,403	32,982,976	-	34,111,379
Gross profit (loss)	(473,854)	18,809,985	-	18,336,131
Operating expenses:				
General and administration	(429,969)	(3,797,101)	(2,936,012)	(7,163,082)
Sales, marketing, and promotion	-	(83,770)	-	(83,770)
Operating lease cost	(1,233)	(591,376)	-	(592,609)
Depreciation and amortization	(207,319)	(1,276,640)	(3,806)	(1,487,765)
Share-based compensation	-	-	(366,469)	(366,469)
Impairment of inventory	(1,456,818)	-	-	(1,456,818)
Interest, accretion, and other	284,125	22,171	7,355,059	7,661,355
Net income (loss) before taxes	(2,285,068)	13,083,269	4,048,772	14,846,973

a) Entity-wide disclosures

All revenue for the years ended January 31, 2023 and 2022 was earned in the United States.

For the years ended January 31, 2023 and January 31, 2022, no customer represented more than 10% of the Company's net revenue and receivables.

A summary of the Company's the long-lived tangible assets disaggregation by geographic area is as follows:

	January 31, 2023	January 31, 2022
	\$	\$
Nevada	11,321,662	11,903,430
Discontinued operations (Oregon)	1,748,286	1,817,633
Other	703	24,414
	13,070,651	13,745,477

17. COMMITMENTS

The Company and its subsidiaries are committed under lease agreements with third parties and related parties, for land, office space, and equipment in Nevada and Oregon. A summary of the Company's future minimum payments at the year ended January 31, 2023 is as follows:

	Third Parties	Related Parties	Total
	\$	\$	\$
2024	273,743	1,276,262	1,550,005
2025	45,551	1,314,551	1,360,102
2026	45,551	1,353,987	1,399,538
2027	45,551	1,394,607	1,440,158
2028	45,551	1,436,445	1,481,996
Thereafter	322,651	7,712,494	8,035,145
	778,598	14,488,346	15,266,944

18. RELATED PARTY TRANSACTIONS

A summary of the Company's related balances included in accounts payable, accrued liabilities, and promissory note payable is as follows:

	January 31, 2023	January 31, 2022
	\$	\$
Due to the President and CEO	2,043,019	8,172,075
Lease liabilities due to a company controlled by the CEO	8,953,425	9,279,123
Lease liabilities due to SDP Development	-	412,093
Due to the CFO of the Company	692	360
	10,997,136	17,863,651

Due to the President and CEO consists of promissory note principal and interest and reimbursable expenses incurred in the normal course of business.

A summary of the Company's transactions with related parties including key management personnel for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022
	\$	\$
Consulting fees paid to a director	125,000	240,000
Amounts paid to CEO or companies controlled by CEO for leases	1,239,090	1,203,000
Amounts paid to CEO or companies controlled by CEO for repayments of promissory note	6,584,146	7,162,500
Amounts paid to CEO or companies controlled by CEO for remuneration	200,000	267,119
Salary paid to directors and officers	398,950	496,807
Share based compensation including warrants and stock options for directors and officers	153,426	251,333
Lease payments made to SDP Development	-	209,176
	8,700,612	9,829,935

Amounts paid to CEO or companies controlled by CEO consists of salary, lease payments, and promissory note principal and interest.

On February 12, 2020, the Company amended the purchase agreement with SDP Development, of which a Director of the Company is a principal owner. The Company had agreed on February 4, 2019 to purchase SDP Development on October 15, 2020, which owned six real estate properties that were leased in connection with Phantom Farms' cannabis cultivation, processing and wholesale distribution operations. The aggregate purchase price was \$8,010,000 payable in cash, or, at the election of the vendors, in whole or in part by the issue of 2,670,000 shares at \$3.00 per common share.

C21 INVESTMENTS INC.
Notes to the Consolidated Financial Statements
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19. EARNINGS PER SHARE

A summary of the Company's calculation of basic and diluted earnings per share for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022
Net income from continuing operations after income taxes	\$ 1,381,540	\$ 12,197,574
Net loss from discontinued operations after income taxes	\$ (1,088,329)	\$ (2,242,644)
Net income	\$ 293,211	\$ 9,954,930
Weighted average number of common shares outstanding	120,047,814	118,308,584
Dilutive effect of warrants and stock options outstanding	2,833,093	2,833,093
Diluted weighted average number of common shares outstanding	122,880,907	121,141,677
Basic income per share, continuing operations	\$ 0.01	\$ 0.10
Diluted income per share, continuing operations	\$ 0.01	\$ 0.10
Basic loss per share, discontinued operations	\$ (0.01)	\$ (0.02)
Diluted loss per share, discontinued operations	\$ (0.01)	\$ (0.02)
Basic income per share	\$ 0.00	\$ 0.08
Diluted income per share	\$ 0.00	\$ 0.08

The computation of diluted earnings per share excludes the effect of the potential exercise of warrants and stock options when the average market price of the common stock is lower than the exercise price of the respective warrant or stock option and when inclusion of these amounts would be anti-dilutive. For the years ended January 31, 2023 and 2022, the number of warrants excluded from the computation was 1,200,000 and 1,200,000, respectively. For the years ended January 31, 2023 and 2022, the number of stock options excluded from the computation was 4,409,998 and 4,263,333, respectively. For the years ended January 31, 2023 and 2022, the computation of diluted earnings per share also excludes the potential issuance of 6,000,000 earn out shares (Note 13) as the market price of the common shares has not been high enough to trigger an earn out event.

20. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

a) Legal proceedings

Oregon Action: A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "Plaintiffs"), alleging contract, employment, and statutory claims, alleging \$612,500 in damages (as amended), against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee (the "Oregon Action"). The Company and the other defendants wholly denied the allegations and claims made in the lawsuit and is defending the lawsuit. On June 21, 2019, the Company filed Oregon Rule of Civil Procedure ("ORCP") 21 motions to dismiss all of the Plaintiffs' claims against it, its wholly owned subsidiaries, and other defendants. On December 30, 2019, plaintiffs filed an amended complaint dismissing the Company (and some of its directors and subsidiaries) from the case and reducing the amount in controversy in the Oregon Action. On May 6, 2020, the court granted the Company's ORCP 21 motions in its entirety to dismiss all of Plaintiffs' claims against the remaining defendants. The judgment of dismissal was entered by the Clackamas County court on or about October 14, 2020.

On October 22, 2020, the Company submitted a petition to recover the costs and attorney fees incurred by the Company as the prevailing party in the Oregon Action. On January 20, 2021, the Court ruled in the Company's favor, awarding the Company and its subsidiaries \$68,195 in attorney's fees, \$1,252 in costs, and a statutory prevailing party fee of \$640, through a supplemental judgment, entered on February 2, 2021. The judgment in favor of the Company remains unpaid and continues to collect interest at the statutory rate of 9% per annum.

On November 12, 2020, the plaintiffs appealed the order dismissing the claims alleged in their amended complaint. On March 2, 2021, the plaintiffs amended their appeal to also appeal the award of attorney fees and costs.

20. CONTINGENCIES (continued)

On October 26, 2022, the Court of Appeals issued its decision, reversing the general and supplemental judgments in favor of the Company and remanding the case to the trial court for further proceedings. The Company filed a petition for reconsideration of the Court of Appeals decision on December 7, 2022, which was denied.

On April 19, 2023, the Company filed a petition for review in the Oregon Supreme Court. The petition for review is pending. The Company cannot predict if the Oregon Supreme Court will grant certiorari to hear the appeal, and if so, the likely resolution of the appeal.

British Columbia Action: On or about September 13, 2019, the Company delivered a notice to the above-mentioned Plaintiffs of alleged breach and default under the EFF purchase and sale agreement, due to alleged unlawful, intentional acts and material misrepresentations by the Plaintiffs before and after the completion of the purchase. As a result of such breach, the Company denied the Plaintiffs' tender of their share payment notes in connection with the agreement. On or about October 14, 2019, Prouddest Monkey Holdings, LLC and one of its current owners, sued the Company in the Supreme Court of British Columbia to compel the issuance and delivery of the subject shares, including interests and costs (the "British Columbia Action").

On November 8, 2019, the Company responded and counterclaimed for general, special and punitive damages, including interest and costs, related to breach of contract, repudiation of contract, breach of indemnity and fraudulent and negligent misrepresentation by the Plaintiffs. The Plaintiffs filed a response to the Company's counterclaims on or about June 5, 2020, and the parties stipulated to a form of amended pleading which included the joinder of additional parties, an owner of Prouddest Monkey Holdings, LLC and EFF, and additional contract and equitable claims and damages, partially duplicative to those alleged by the Plaintiffs in the Oregon Action (breach of contract, indemnity, unjust enrichment and wrongful termination claims). Plaintiffs allege \$2,774,176.05 in damages (as amended), plus unquantified additional damages, interest and costs, of which amounts are partially duplicative of the Oregon Action. This action remains in the discovery stage, and the trial date is scheduled for February 2024. It is too early to predict the resolution of the claims and counterclaims.

Settled and Dismissed Action: On or about May 30, 2019, Wallace Hill Partners Ltd. ("Wallace Hill") filed a civil claim in the Supreme Court of British Columbia alleging breach of contract and entitlement to 1,800,000 Common Shares of the Company, fully vested by March 1, 2019, and damages due to the lost opportunity to sell those shares after such date for a profit. On June 23, 2019, the Company circulated a letter to Wallace Hill terminating the agreement and accepting Wallace Hill's repudiation of the agreement based on Wallace Hill's previously published defamatory comments and termination of the agreement. Also, on June 23, 2019, the Company filed its response to the civil claim denying all claims and filed counterclaims alleging breach of contract, a declaratory judgment of termination of the agreement, defamation and an injunction from further defamatory comments.

On March 23, 2022, the Company and Wallace Hill entered into a mutual release agreement, pursuant to which, among other things, all parties agreed to dismiss their respective claims and to release one another from any further causes of action in connection with the subject matter of the original claims. On April 23, 2022, the parties filed a Notice of Discontinuance in the Supreme Court of British Columbia formally dismissing the civil action.

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21. INCOME TAXES

The Company is a Canadian resident company, as defined in the Income Tax Act (Canada) (the "ITA"), for Canadian income tax purposes. However, it has subsidiaries that are treated as United States corporations for US federal income tax purposes per the Internal Revenue Code (US) ("IRC") and are thereby subject to federal income tax on their worldwide income. As a result, the Company is subject to taxation both in Canada and the United States.

A summary of the Company's components of the income tax provision for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022 (As restated - Note 2)
	\$	\$
Current		
Canadian	-	-
US Federal and State	2,866,688	4,344,395
Total current income tax expense	2,866,688	4,344,395
Deferred		
Canadian	-	-
US Federal and State	(56,920)	590,072
Total deferred income tax recovery	(56,920)	590,072
Total income tax expense	2,809,768	4,934,467

A summary of the Company's domestic and foreign components of income (loss) before provision for income taxes for the years ended January 31, 2023 and 2022, is as follows:

	2023	2022 (As restated - Note 2)
	\$	\$
Canadian	(702,488)	6,985,670
United States	4,893,796	10,146,371
Income (loss) before income taxes	4,191,308	17,132,041

A summary of the Company's reconciliation of the statutory income tax rate percentage to the effective tax rate for the years ended January 31, 2023 and 2022 is as follows:

	2023	2022 (As restated - Note 2)
	\$	\$
Income (loss) for the year	4,191,308	17,132,041
Statutory rate	27%	27%
Income tax expense at statutory rate	1,131,653	4,625,653
Non-deductible expenditures and non-taxable revenues		
IRC section 280E disallowance	1,802,992	1,834,479
Other	56,549	98,946
Foreign tax rate differential	(288,933)	(608,783)
Change in foreign exchange rates and other	196,298	115,835
Change in valuation allowance	(198,848)	(73,893)
Payable adjustment to provision versus statutory tax returns	67,056	2,738,188
Deferred adjustment to provision versus statutory tax returns	10,410	(4,316,443)
Uncertain tax position, inclusive of interest and penalties	32,591	520,485
	2,809,768	4,934,467

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21. INCOME TAXES (continued)

A summary of the Company's deferred tax assets significant components is as follows:

	January 31, 2023	January 31, 2022 (As restated - Note 2)
	\$	\$
Deferred tax assets		
Share issuance costs and financing fees	4,764	262,726
Allowable capital losses	132,986	139,182
Non-capital losses	4,699,606	4,376,843
Intangible assets	85,843	98,394
Right of use assets and lease liabilities, net	73,247	53,248
Reclamation obligation	14,219	14,923
Derivative liability	64,719	271,719
Inventories	36,797	-
Convertible promissory note	312,190	345,989
Total deferred tax assets	5,424,371	5,563,024
Valuation allowance	(5,311,368)	(5,510,216)
Total net deferred tax assets	113,003	52,808
Deferred tax liabilities		
Property and equipment	(89,641)	(86,366)
Net deferred tax (liability) asset	23,362	(33,558)

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the Canadian loss carryforwards that may expire prior to their utilization has been recorded at January 31, 2023.

As of January 31, 2023, the Company has \$17.4 million of Canadian non-capital losses which expire between 2026 and 2043, and Canadian capital losses of \$985 thousand with no expiry date. The Company determined a valuation allowance was also applicable to the other Canadian deferred tax assets. The Company also has of \$2.7 million of Oregon net operating losses which have a 15-year carryforward period with losses expiring between 2034 and 2038. The Company determined a valuation allowance was applicable to the full amount of the available Canadian losses.

As the Company operates in the cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for US federal income tax purposes as well as state income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to costs of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred by the Canadian entity over the three-year period ended January 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of January 31, 2023, a valuation allowance of \$5,311,368 (2022 - \$5,510,216) has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

The Company recognizes benefits from uncertain tax positions based on the cumulative probability method whereby the largest benefit with a cumulative probability of greater than 50% is recorded. An uncertain tax position is not recognized if it has less than a 50% likelihood of being sustained. As of January 31, 2023, and January 31, 2022, the Company recorded an uncertain tax liability of \$846,446 and \$813,855, respectively, inclusive of interest and penalties.

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21. INCOME TAXES (continued)

The uncertain tax position comprises of certain deductions for lease obligations, depreciation and amortization taken in prior years in excess of the accounting expenses in respect of assets used in production as well as deductions for inventory impairment that were not previously taken. The total of these uncertainties before interest and penalties is \$789,112 as of January 31, 2023. The Company believes it is reasonably possible that \$401,824 of unrecognized tax benefits related to depreciation and \$7,745 of unrecognized tax benefits related to amortization, lease obligations and inventory may decrease within the next 12 months as the Company will be filing amended tax returns for prior years and amounts will be coming statute- barred with respect to the 2020 fiscal year.

During the years ended January 31, 2023, the Company recorded interest of \$55,065 and penalties of \$2,268 on uncertain tax liabilities within the consolidated statements of operations and comprehensive (loss) income. The Company is subject to taxation and files income tax returns in Canada, the U.S. and Oregon. As of January 31, 2023, the tax returns for the 2020, 2021 and 2022 fiscal years are subject to examination by tax authorities in the U.S. and Oregon. The tax return for the 2019 fiscal year is also subject to examination by tax authorities in Canada.

The aggregate change in the balance of gross unrecognized tax benefits, which includes interest and penalties is as follows:

	January 31, 2023	2022 (As restated - Note 2)
	\$	\$
Beginning balance	813,855	293,370
Increase due to tax positions taken during a prior year	32,591	520,485
Ending balance	846,446	813,855

The total amount of unrecognized tax benefits that would, if recognized, impact the effective tax rate is \$846,446 for the tax year ended January 31, 2023 (\$813,855 for January 31, 2022).

A summary of the components of the Company's income taxes payable is as follows:

	January 31, 2023	January 31, 2022 (As restated - Note 2)
	\$	\$
Income taxes payable	6,890,412	4,056,315
Unrecognized tax position, inclusive of interest and penalties	846,446	813,855
	7,736,858	4,870,170

22. FINANCIAL INSTRUMENTS

The following tables present information about the Company's financial instruments and their classifications as of January 31, 2023 and January 31, 2022 and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value:

Fair value measurements at January 31, 2023 using:	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities:				
Earn out shares (Note 13)	-	-	239,700	239,700
Fair value measurements at January 31, 2022 using:	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities:				
Earn out shares (Note 13)	-	-	1,006,368	1,006,368

The fair value of the derivative liability associated with the earn out shares was derived using a Monte Carlo simulation using non-observable inputs, and therefore represent a Level 3 measurement.

23. SUBSEQUENT EVENTS

On February 13, 2023 the Company announced it had negotiated the cancellation of a portion of the earn out share obligations pursuant to the Swell Purchase agreement. The Company entered into agreements with certain Swell vendors to extinguish the Company's obligation to issue 4,792,800 common shares in exchange for a one-time payment of \$575,136.

On February 6, 2023, the Company and its CEO, Sonny Newman, agreed to defer payment of the principal portion of the March 1, 2023 promissory note payment in order to facilitate the cash coverage required to settle the Company's cash settlement with the Swell vendors. The principal portion was deferred until April 1, 2023 and normally scheduled payments of principal and interest resumed at that time.

On March 9, 2023, the Company executed a settlement agreement to terminate the lease-to-own arrangement accounted for as a sales-type lease for certain licenses, land and equipment in Oregon, USA (Note 4). The lessee failed to make the minimum payments under the arrangement and the Company exercised its right to terminate the relationship. As part of the settlement agreement, the lessee paid \$500,000 as consideration for two cannabis licenses in Oregon. The Company retains the land, building and equipment.

On June 1, 2023, the Company completed all payments totaling \$2,026,667 on the promissory note payable (Note 12(b)) owing to Sonny Newman, the Company's President and CEO. In connection with the repayment, the security against the Company's assets held in Silver State Cultivation LLC and Silver State Relief LLC has been fully discharged.

Item 19. Exhibits

<u>Exhibit Number</u>	<u>Name</u>
1.1	Articles of Incorporation (incorporated by reference from our Annual Report on Form 20-F filed with the SEC on July 14, 2020)
1.2	Certificate of Incorporation and Certificates of name changes (incorporated by reference from our Annual Report on Form 20-F filed with the SEC on July 14, 2020)
2.1	Description of the Company's Securities Registered Under Section 12 of the Securities Exchange Act of 1934 (incorporated by reference from our Annual Report on Form 20-F filed with the SEC on July 14, 2020)
4.1	Stock Option Plan (incorporated by reference from our Annual Report on Form 20-F filed with the SEC on July 14, 2020)
4.2	Restricted Share Unit Plan (incorporated by reference from our Annual Report on Form 20-F filed with the SEC on July 14, 2020)
4.3	Consulting Services Agreement Second Amendment dated September 1, 2023, between the Company and CBI Capital Advisors LLC
4.5	Earn-Out Share Settlement Agreement, dated February 1, 2023, between the Company and Swell vendor, Alleh Lindquist (incorporated by reference from our Annual Report on Form 20-F filed with the SEC on July 20, 2023)
4.6	Asset Purchase Agreement, dated August 18, 2023, between a subsidiary of the Company and Deep Roots Harvest, Inc.
8.1	List of Significant Subsidiaries
12.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)
12.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)
13.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
13.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
15.1	Management's Discussion and Analysis for the Year Ended January 31, 2024
15.2	Change of Auditor and Notice Letters (incorporated by reference from our Form 6-K filed with the SEC on January 19, 2024)
15.3	Consent of Marcum, LLP
15.4	Consent of Davidson & Company LLP
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

C21 Investments Inc.

By: /s/ Sonny Newman

Name: Sonny Newman

Title: President and Chief Executive Officer

Date: July 24, 2024

SECOND AMENDMENT TO CONSULTING SERVICES AGREEMENT

This Second Amendment (the "Second Amendment") is entered into effective as of September 1, 2023 (the "Amendment Effective Date") by and between C21 INVESTMENTS INC., a British Columbia corporation (the "Company"), and CB1 CAPITAL ADVISORS LLC, a Delaware limited liability company (the "Consultant") (each a "Party" and, collectively, the "Parties"). All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Existing Agreement (defined below).

WHEREAS, the Parties are party to that certain Consulting Services Agreement, effective as of September 1, 2019 (the "Original Agreement") and that Amendment to Consulting Services Agreement, effective as of February 1, 2022 (the "First Amendment") (the Original Agreement, as modified by the First Amendment, the "Existing Agreement"; and the Existing Agreement, as further amended and modified by this Second Amendment, the "Agreement"); and

WHEREAS, under the Existing Agreement, the 2021-2023 Renewal Term (as defined therein) commenced on September 1, 2021 and ended on March 31, 2023; and

WHEREAS, under the terms of the Existing Agreement, the term of the Existing Agreement was extended for a Renewal Term (the "2023-2024 Renewal Term") commencing on April 1, 2023 and ending on March 31, 2024 under the same terms and conditions then in place; and

WHEREAS, the Parties desire to extend the 2023-2024 Renewal Term to expire on September 30, 2024 and to amend the Base Consulting Fees to be paid for the remainder of the 2023-2024 Renewal Term; and

WHEREAS, the Parties desire to amend the Existing Agreement (i) to amend the expiration date of the Renewal Term and (ii) to amend the definition of Base Consulting Fees for the 2023-2024 Renewal Term.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

Section 1. Amendments to Existing Agreement. Pursuant to Section 10.3 of the Original Agreement, the Existing Agreement is hereby amended as of the date first above written as follows:

(a) The 2023-2024 Renewal Term shall be deemed to have commenced on April 1, 2023 and shall end on September 30, 2024.

(b) For the first six months of the 2023-2024 Renewal Term, the Base Cash Consulting Fee shall be a monthly base cash consulting fee of Seven Thousand Five Hundred Dollars (\$7,500) in cash.

(c) For the last twelve months of the 2023-2024 Renewal Term, the Base Cash Consulting Fee shall be a monthly base cash consulting fee of Five Thousand Dollars (\$5,000) in cash.

(d) Effective as of May 13, 2024, in respect of the 2023-2024 Renewal Term, the Company shall pay to the Consultant a Base Option Award (the "2023-2024 Option Award") which shall be an option to purchase 150,000 shares of common stock of the Company on the terms in the Option agreement signed between the Company and the Consultant on May 13, 2024.

(e) Notwithstanding anything contained in Section 1.2 of the Original Agreement, this Agreement may not be automatically extended for subsequent Renewal Terms unless mutually agreed in writing by both Parties prior to the expiration of the current Renewal Term.

Section 2. Reference to and Effect on the Existing Agreement.

(a) This Second Amendment modifies the Existing Agreement to the extent set forth herein, is hereby incorporated by reference into the Agreement and is made a part thereof. On and after the date hereof, each reference in the Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Agreement, shall mean and be a reference to the Agreement as amended by the First Amendment and as further amended by this Second Amendment.

(b) Except as specifically amended by this Second Amendment, the Existing Agreement shall remain in full force and effect and is hereby ratified and confirmed. In the event of any conflict between the terms of this Second Amendment, on the one hand, and the Existing Agreement, on the other hand, the terms of this Second Amendment shall prevail.

(c) The execution, delivery and effectiveness of this Second Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of either Party under the Existing Agreement nor constitute a waiver of any provision of the Existing Agreement.

Section 3. Headings. Section and clause headings in this Second Amendment are included herein for convenience of reference only and shall not constitute a part of this Second Amendment for any other purpose or be given any substantive effect.

Section 4. Applicable Law. THIS SECOND AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

Section 5. Counterparts and Electronic Signatures. This Second Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute one and the same instrument. Delivery of an executed



counterpart of this Second Amendment by facsimile or electronic mail transmission shall be as effective as delivery of a manually executed counterpart hereof.

Section 6. Effective Date. This Second Amendment shall become effective on the day and year first written above.

Section 7. Entire Agreement. This Second Amendment, together with the Existing Agreement as amended by the Second Amendment, sets forth the entire agreement of the Parties with respect to the subject matter hereof and supersedes any and all prior agreements or understandings with respect thereto.

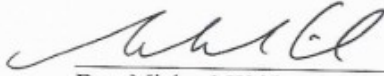
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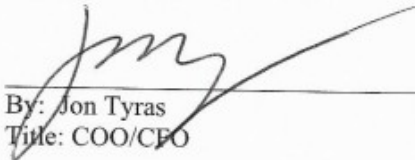
IN WITNESS WHEREOF, the Parties have duly executed this Second Amendment as of the first date set forth above.

C21 INVESTMENTS INC.



By: Michael Kidd
Title: CFO

CBI CAPITAL ADVISORS LLC



By: Jon Tyras
Title: COO/CFO



ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("Agreement") is made and entered into as of August 18, 2023, by and between Silver State Relief, LLC, a Nevada limited liability company ("Purchaser"), and Deep Roots Harvest, Inc., a Nevada corporation ("Seller"). Purchaser and Seller are sometimes referred to collectively herein as the "Parties," and each as a "Party."

R E C I T A L S:

WHEREAS, Seller owns certain assets that are used by Seller in connection with the operation of that certain licensed retail cannabis establishment (the "Business"), located at 12240 Old Virginia Rd., Reno, Nevada (the "Location"); and

WHEREAS, Seller desires to sell such assets to Purchaser, and Purchaser desires to acquire such assets on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, the Parties covenant and agree as follows:

1. Purchase and Sale of Purchased Assets.

a. Purchase and Sale of Non-Regulatory Assets. On the terms and subject to the conditions set forth in this Agreement, at the Initial Closing (as defined below), Seller shall convey, transfer, assign, sell and deliver to Purchaser, and Purchaser shall acquire, accept and purchase from Purchaser, the following property, rights and assets owned by Seller and related solely to, and used exclusively in, the operation of the Business, other than any Excluded Assets (as defined below) (collectively, the "Non-Regulatory Assets"):

- i. all machinery, tools, furniture, fixtures, equipment, signage, displays, cases, office machines and other tangible personal property, including, without limitation, any security systems and cameras;
- ii. all supplies, packaging materials, and other consumables;
- iii. subject to the terms of the Lease (as defined below), all tenant improvements to the Location;
- iv. to the extent assignable, all contracts and other agreements, and rights thereunder, under any contracts or agreements related solely and exclusively to, and used exclusively in, the Purchased Assets (as defined below) and the operation of the Business at the Location, and any deposits thereunder (together with the Lease, the "Assigned Contracts");
- v. any prepaid expenses, credits, advance payments, security, deposits, charges, sums and fees to the extent related solely and exclusively to the Purchased Assets;
- vi. to the extent transferrable, all licenses, permits, franchises, approvals, consents and other authorizations obtained from any governmental or regulatory authority (a "Governmental Authority"), related solely and exclusively to, and used exclusively in, the Purchased Assets and the operation of the Business at the Location (other than the Regulatory Assets (as defined below)) (the "Permits");

- vii. all of Seller's rights under warranties, indemnities and all similar rights against third parties to the extent related solely and exclusively to the Purchased Assets;
- viii. originals, or where not available, copies, of all records and machinery and equipment maintenance files that related solely and exclusively to the Purchased Assets;
- ix. copies of any records related solely and exclusively to the operation of the Business at the Location and required to be maintained by Purchaser by a Governmental Authority or applicable law, including, without limitation, in connection with the transfer of the Regulatory Assets contemplated hereby; and
- x. any goodwill related solely and exclusively to the Purchased Assets.

b. Purchase and Sale of Regulatory Assets. On the terms and subject to the conditions set forth in this Agreement, at the Final Closing (as defined below), Seller shall convey, transfer, assign, sell and deliver to Purchaser, and Purchaser shall acquire, accept and purchase from Seller, the following property, rights and assets owned by Seller and related solely to, and used exclusively in, the operation of the Business, other than any Excluded Assets (together, the "Regulatory Assets," and, collectively with the Non-Regulatory Assets, the "Purchased Assets"):

- i. Adult-Use Retail Store License No. 52453211787476290375, Facility ID RD400, issued to Seller on November 8, 2021; and
- ii. City of Reno Marijuana Establishment Retail Marijuana Store No. R148675Q issued to Seller effective April 1, 2022.

c. Excluded Assets. Notwithstanding anything to the contrary contained in this Agreement, other than the Purchased Assets, Purchaser expressly understands and agrees that Purchaser is not purchasing or acquiring, and Seller is not selling or assigning, any other property, rights or assets of Seller, and that all of Seller's right, title, and interest in all such property, rights and assets, including, without limitation, the following property, rights and assets of Seller, whether tangible or intangible, real or personal, are expressly excluded from the transactions contemplated by this Agreement and shall remain the property, rights and assets of Seller (collectively, the "Excluded Assets"):

- i. all cash and cash equivalents, accounts and securities of Seller;
- ii. all accounts receivable, notes receivable and other receivables;
- iii. all inventory, finished goods, raw materials, work in progress and other inventories of the Business;
- iv. point of sale equipment, computer and IT systems, servers and software;
- v. intellectual or industrial property and proprietary rights of every kind, nature and description (including, without limitation, signs, displays, supplies, materials and consumables containing intellectual property or branding of Seller), including, without limitation, internet and intranet websites and website content, domain names, trade names, fictitious business names, customer lists and data, pricing and cost information, advertising, promotional and marketing materials and information, social media sites and materials, business and marketing plans and proposals, and including all goodwill associated therewith;

- vi. all books and records, including, without limitation, books of account, ledgers and general, financial and accounting records, tax returns and filings, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any Governmental Authority), sales material and records, strategic plans, internal financial statements and marketing and promotional surveys, material and research, other than as expressly set forth in Sections 1(a)(viii) and (ix) above, as such described records or files are related solely and exclusively to, and used exclusively in, the Purchased Assets and the operation of the Business at the Location;
- vii. all corporate seals, organizational documents, minute books, stock books, or other records having to do with the corporate organization of Seller, all employee-related or employee benefit-related files or records, and any other books and records which Seller is prohibited from disclosing or transferring to Purchaser under applicable law or is required by applicable law to retain;
- viii. all rights to any action, suit or claim of any nature available to or being pursued by Seller, whether arising by way of counterclaim or otherwise;
- ix. goodwill, going concern value, and all similar intangible assets of Seller, other than goodwill and going concern value related solely and exclusively to the Purchased Assets; and
- x. other than the Purchased Assets, all other rights, property or assets of Seller, whether tangible or intangible, and whether related or unrelated to the Purchased Assets, Business or Location.

d. Assumption of Liabilities. Upon the terms and subject to the conditions contained herein, on the Closing Date, Purchaser shall accept and assume, and shall pay, perform, and discharge all liabilities and obligations relating to the operating of the Business or Location or resulting from Purchaser's ownership of the Purchased Assets on and after the Initial Closing Date (the "Assumed Liabilities"), including, without limitation:

- i. all liabilities and obligations arising under or relating to the Assigned Contracts or Permits;
- ii. all liabilities and obligations relating to employee benefits, compensation or other arrangements arising on or after the Initial Closing;
- iii. all liabilities and obligations for (A) taxes relating to the Business, the Purchased Assets or the Assumed Liabilities for any taxable period ending after the Initial Closing, and (B) taxes for which Purchaser is liable pursuant to the terms of this Agreement; and
- iv. all other liabilities and obligations arising out of or relating to Purchaser's ownership or operation of the Business and the Purchased Assets on and after the Initial Closing.

e. Excluded Liabilities. Purchaser shall not assume, take subject to, or in any other manner whatsoever be responsible for any of the following liabilities or obligations of Seller (the "Excluded Liabilities"):

- i. Any liabilities or obligations arising out of or relating to Seller's ownership or operation of the Purchased Assets, Business or Location prior to the Initial Closing;
- ii. Any liabilities or obligations relating to or arising out of the Excluded Assets;
- iii. Any liability or obligation of Seller with respect to any federal, state, or local taxes relating to Seller's ownership or operation of the Purchased Assets, Business or Location for any taxable period ending on or prior to the Initial Closing, other than any taxes for which Purchaser is liable pursuant to the terms of this Agreement; and
- iv. Any liabilities or obligations of Seller relating to or arising out of (A) the employment, or termination of employment, of any employee of Seller prior to the Initial Closing, or (B) workers' compensation claims of any employee of Seller which relate to events occurring prior to the Initial Closing.

2. Purchase Price.

a. Payment of Purchase Price. In connection with the consummation of the transactions contemplated hereby, Purchaser shall pay to Seller the aggregate amount of Three Million Five Hundred Thousand US Dollars (\$3,500,000) (the "Purchase Price"), which shall be payable by Purchaser to Seller by wire transfer or delivery of immediately available funds in accordance with the following:

i. Concurrently with the execution and delivery hereof, the amount of One Hundred Thousand US Dollars (\$100,000) (the "Deposit"), which amount shall be nonrefundable to Purchaser except as expressly set forth in Section 8(c);

ii. On the Initial Closing Date, the amount of Three Million Three Hundred Fifty Thousand US Dollars (\$3,350,000) (the "Initial Purchase Price"), in connection with the consummation of the transfer and sale of the Non-Regulatory Assets and assumption of the Assumed Liabilities contemplated hereby; and

iii. On the Final Closing Date, the amount of Fifty Thousand US Dollars (\$50,000) in connection with the consummation of the sale of the Regulatory Assets contemplated hereby.

b. Allocation of Purchase Price.

i. Within thirty (30) days after the Initial Closing Date, Seller shall deliver a schedule allocating the Initial Purchase Price (including any Assumed Liabilities treated as consideration for the Non-Regulatory Assets for tax purposes) (the "Allocation Schedule"). The Allocation Schedule shall be prepared in accordance with Section 1060 of the Internal Revenue Code (the "Code") and, to the extent consistent with Code Section 1060, the Initial Purchase Price (as determined for tax purposes) shall be allocated among the following asset classes, if any, in accordance with the following methodology and the corresponding value allocated to such asset class, if any, (A) Class I - Cash, adjusted tax basis of Seller at Closing, (B) Class II - Actively Traded Personal Property, adjusted tax basis of Seller at Closing, (C) Class III - Accounts Receivable, adjusted tax basis of Seller at Closing, (D) Class IV - Inventory, adjusted tax basis of Seller at Closing, (E) Class V- Fixed Assets, adjusted tax basis of Seller at Closing, (F) Class VI - Intangibles, adjusted tax basis of Seller at Closing, and (G) Class VII - Goodwill, residual Initial Purchase Price not allocated above. Seller and Purchaser agree to file their respective IRS Forms 8594 and all federal, state, and local tax returns in accordance with the Allocation Schedule.

ii. The Final Purchase Price shall be allocated in its entirety in accordance with Section 1060 of the Code among the Regulatory Assets as Class VI - Intangibles. Seller and Purchaser agree to file their respective IRS Forms 8594 and all federal, state, and local tax returns in accordance with the foregoing.

3. Representations and Warranties.

a. Seller's Representations and Warranties. Seller represents and warrants to Purchaser that the statements contained in this Section 3(a) are true and correct in all material respects as of the date hereof, and as of the Initial Closing Date:

i. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Nevada and has all necessary corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted. Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect.

ii. Seller has all necessary power and authority to enter into this Agreement, to carry out its obligations hereunder, and to consummate the transactions contemplated hereby. The execution and delivery by Seller of this Agreement, the performance by Seller of its obligations hereunder, and the consummation by Seller of the transactions contemplated hereby have been duly authorized by all requisite action on the part of Seller. This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution, and delivery by Purchaser) this Agreement constitutes a legal, valid, and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

iii. The execution, delivery, and performance by Seller of this Agreement, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (A) result in a violation or breach of any provision of Seller's articles of incorporation or bylaws, (B) subject to obtaining the Required Consents (as defined below), result in a violation or breach of any provision of any law applicable to Seller or the Purchased Assets, or (C) except for the Required Consents and as otherwise contemplated hereby, require the consent of, notice of, or other action by any person under, conflict with, result in a violation or breach of, constitute a default under, or result in the acceleration of, any contract or agreement of Seller, except in the cases of subsections (B) and (C), where the violation, breach, conflict, default, acceleration or failure to give notice would not have a Material Adverse Effect.

iv. There are no actions, suits, claims, investigations, or other legal proceedings pending or, to Seller's Knowledge (as defined below), threatened against or by Seller relating to or affecting the Purchased Assets. Seller is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge. There are no bankruptcy or insolvency proceedings of any character pending or, to Seller's knowledge, threatened against Seller, including, without limitation, any bankruptcy, receivership, reorganization, composition, or arrangement with creditors, voluntary or involuntary, that relates to or affects any of the Purchased Assets.

v. Copies of the unaudited, internally prepared statements of income and cash flow for the Business for the fiscal year of 2022 (the "Income Statement"), have been delivered to Purchaser. The Income Statement fairly presents in all material respects the financial position and results of operations of the Business as of the date thereof for the periods indicated thereby.

vi. Seller has good and valid title to all Purchased Assets, free and clear of all liens and encumbrances. The Purchased Assets are, in all material respects, structurally sound, in good operating condition and in a state of good maintenance and repair, ordinary wear and tear excepted. None of the Purchased Assets are in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

vii. Seller has delivered to Purchaser a true, complete and correct copy of the Lease, including, without limitation, all modifications, extensions or amendments thereto. There are no defaults or events of default by Seller, or to Seller's Knowledge, Landlord under the Lease. Seller is in possession of the Location pursuant to the terms of the Lease and has not subleased, assigned or otherwise granted to any other party the right to use or occupy any portion of the Location. Seller has not received any written notice of existing, pending or threatened (A) condemnation proceedings affecting the Location, or (B) zoning, building code or other moratorium proceedings, or similar matters which would reasonably be expected to materially and adversely affect the ability to operate the Business as currently operated. Neither the whole nor any material portion of the Location has been damaged or destroyed by fire or other casualty.

viii. Other than Federal Cannabis Laws, Seller has complied, and is now complying, in all material respects, with all laws, rules, and regulations applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets. Other than Federal Cannabis Laws, Seller is in compliance in all material respects with all applicable state and local laws controlling the cultivation, harvesting, production, handling, storage, distribution, sale and possession of cannabis or marijuana. All licenses, permits, franchises, approvals, consents and other authorizations required for Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets, including, without limitation, the Regulatory Assets, have been obtained by Seller and are valid and in full force and effect, except where the failure to obtain such Permits would not have a Material Adverse Effect, and all fees and charges with respect to such licenses, permits, franchises, approvals, consents and other authorizations have been paid in full. Notwithstanding the foregoing, Seller makes no representations or warranties with respect to the Regulatory Assets from the period from the Initial Closing through the Final Closing, to the extent that such representation or warranty would be rendered false, inaccurate or misleading as a result of an act or omission of Purchaser.

ix. To Seller's Knowledge, the operations of Seller with respect to the Business and the Purchased Assets are in compliance in all material respects with all federal, state and local statutes, regulations, and ordinances concerning pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances, or wastes, as such requirements are enacted and in effect on or prior to the Initial Closing Date ("Environmental Requirements"). Seller has not received any written notice, report, or other information regarding any actual or alleged violation of Environmental Requirements, or any material liabilities or potential liabilities (whether accrued, absolute, contingent, unliquidated, or otherwise), including any investigatory, remedial, or corrective obligations relating to Seller, the Business, Purchased Assets or the Location, arising under Environmental Requirements. Neither Seller nor the Business has released, discharged, treated, stored, generated, placed or deposited any hazardous substances in violation of any Environmental Requirements.

x. Seller has timely filed all income and other material returns, declarations, reports, claims for refund, or information returns or statements relating to taxes, that Seller was required to file, and has paid all taxes shown thereon as owing. Seller is not a "foreign person" as that term is used in Section 1.1445-2 of the Treasury Regulations promulgated pursuant to the Code.

xi. Seller has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

xii. Except for the representations and warranties contained in this Section 3(a), neither Seller, nor any other person or entity, has made or makes any other express or implied representation or warranty, either written or oral, on behalf of Seller, including any representation or warranty as to the accuracy or completeness of any information regarding the Business or the Purchased Assets furnished or made available to Purchaser or its representatives, or as to the future revenue, profitability or success of the Business, or any representation or warranty arising from statute or otherwise in law.

b. Purchaser's Representations and Warranties. Purchaser represents and warrants to Seller that the statements contained in this Section 3(b) are true and correct in all material respects as of the date hereof, and as of each Closing Date:

i. Purchaser is a limited liability company duly incorporated, validly existing and in good standing under the laws of the State of Nevada and has all necessary limited liability company power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on its business as currently conducted. Purchaser is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of its assets or the operation of its business as currently conducted makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect.

ii. Purchaser has all necessary corporate power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Purchaser of this Agreement, the performance by Purchaser of its obligations hereunder and the consummation by Purchaser of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes a legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

iii. The execution, delivery and performance by Purchaser of this Agreement, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (A) result in a violation or breach of any provision of the articles of organization or operating agreement of Purchaser, (B) result in a violation or breach of any provision of any law applicable to Purchaser, or (C) except for the Required Consents, require the consent, notice or other action by any person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any contract or agreement of Purchaser, except in the cases of clauses (B) and (C), where the violation, breach, conflict, default, acceleration or failure to give notice would not have a Material Adverse Effect.

iv. There are no actions, suits, claims, investigations, or other legal proceedings pending or, to Purchaser's knowledge, threatened against or by Purchaser that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement.

v. There are no bankruptcy or insolvency proceedings of any character pending or, to Purchaser's knowledge, threatened against Purchaser, including, without limitation, any bankruptcy, receivership, reorganization, composition, or arrangement with creditors, voluntary or involuntary. Immediately after giving effect to the transactions contemplated hereby, Purchaser shall be solvent and shall: (A) be able to pay its debts as they become due, (B) own property that has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities), and (C) have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors of Purchaser. In connection with the transactions contemplated hereby, Purchaser has not incurred, nor plans to incur, debts beyond its ability to pay as they become absolute and matured. Purchaser has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement.

vi. Purchaser has conducted its own independent investigation, review and analysis of the Assets, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of Seller for such purpose. Purchaser acknowledges and agrees that: (A) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Purchaser has relied solely upon its own investigation and the express representations and warranties of Seller set forth in Section 3(a) of this Agreement (including any schedules thereto), and (B) neither Seller, nor any other person or entity, has made any representation or warranty as to Seller, the Business, the Location or Purchased Assets, or this Agreement, except as expressly set forth in Section 3(a) of this Agreement (including any schedules thereto).

4. Initial Closing.

a. Closing. The consummation of the transfer and sale of the Non-Regulatory Assets, the assumption of the Assumed Liabilities contemplated hereby, and the consummation of the other transactions contemplated hereby (other than the consummation of the sale of the Regulatory Assets) (the "Initial Closing"), shall take place remotely by electronic exchange and release of signature pages, on the fifth (5th) business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate such transactions as set forth, as applicable, in Sections 4(b) through (d) below (other than conditions with respect to actions the Parties will take at the Initial Closing itself), or such other date as the Parties may mutually determine (the "Initial Closing Date"). Possession of the Location shall be delivered to the Purchaser upon the Initial Closing Date, and, within 48 hours of the Initial Closing, Seller shall have all Excluded Assets removed from the Location.

b. Conditions Applicable to Purchaser and Seller. The respective obligations of each party to consummate the Closing shall be subject to the satisfaction or waiver of each of the following conditions:

i. No statute, rule, regulation, executive order, or decree that makes illegal or prohibits or restricts the consummation of the transactions contemplated by this Agreement will have been enacted, adopted, or promulgated;

ii. There shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions this Agreement contemplates;

iii. No party shall have filed for or sought relief as a debtor under any state receivership laws or federal bankruptcy laws; and

iv. The Parties shall have received (A) the grant and approval by the Nevada Cannabis Compliance Board ("CCB"), of a Conditional Transfer of Interests permitting the conditional operation of the Business at the Location by Purchaser on and after the Initial Closing Date (the "Conditional TOI"), (B) the Conditional TOI shall have been reported to the City of Reno and a conditional license change application filed, accepted and approved by the City of Reno, permitting the conditional operation of the Business at the Location by Purchaser on and after the Initial Closing Date (the "Reno Application"), and (C) DRN Holdings, LLC, a Nevada limited liability company, as landlord under the Lease, shall have consented to the assignment of the Lease from Seller to Purchaser as contemplated hereby (collectively, the "Required Consents"), in each case, in form and substance reasonably satisfactory to the Parties, and no such consent, authorization, order, grant or approval shall have been revoked; and

v. Seller and DRN Holdings, LLC (the "Landlord") shall have entered into the form of lease agreement for the Location, attached hereto as Exhibit C (the "Lease").

c. Conditions to Purchaser's Obligations. Purchaser's obligations to consummate the transactions contemplated hereby in connection with the Initial Closing are subject to satisfaction of the following conditions, any one or more of which Purchaser may waive:

i. The representations and warranties of Seller shall be true and correct in all material respects at and as of the Initial Closing Date;

ii. Seller shall have performed and complied with all its covenants hereunder through and at the Initial Closing, and Seller shall have delivered to Purchaser all agreements, documents, and other items required to be delivered to Purchaser by Seller hereunder, including without limitation those items described in Section 4(e)(i);

iii. No event or circumstance that would result in a Material Adverse Effect with respect to the Business, Purchased Assets, or Assumed Liabilities shall have occurred; and

iv. All actions to be taken by Seller in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby shall be reasonably satisfactory in form and substance to Purchaser.

d. Conditions to Seller's Obligations. Seller's obligations to consummate the transactions contemplated hereby in connection with the Initial Closing are subject to satisfaction of the following conditions, any one or more of which Seller may waive:

i. The representations and warranties of Purchaser shall be true and correct in all material respects at and as of the Initial Closing Date;

ii. Purchaser shall have performed and complied with all its covenants hereunder through and at the Initial Closing, and Purchaser shall have delivered to Seller the Initial Purchase Price and all agreements, documents, and other items required to be delivered to Seller by Purchaser hereunder, including without limitation those items described in Section 4(e)(ii); and

iii. All actions to be taken by Purchaser in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby shall be reasonably satisfactory in form and substance to Seller.

e. Deliverables.

i. At the Initial Closing, Seller shall deliver or cause to be delivered to the Purchaser: (A) a duly executed bill of sale in the form attached hereto as Exhibit A (the "Bill of Sale"), for the Non-Regulatory Assets, (B) a duly executed assignment and assumption in the form attached hereto as Exhibit B (the "Assignment and Assumption Agreement"), for the Non-Regulatory Assets and Assumed Liabilities, (C) a duly executed original of the Lease executed by Landlord, and (D) such other instruments of assignment, transfer and conveyance as Purchaser shall reasonably request.

ii. At the Initial Closing, Purchaser shall deliver or cause to be delivered to Seller: (A) the Initial Purchase Price, (B) a duly executed original of the Assignment and Assumption Agreement for the Non-Regulatory Assets and Assumed Liabilities, and (C) a duly executed original of the Lease.

5. Final Closing.

a. Closing. The consummation of the transfer and sale of the Regulatory Assets (the "Final Closing"), shall take place remotely by electronic exchange and release of signature pages, on the fifth (5th) business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate such transactions as set forth, as applicable, in Sections 5(b) through (d) below (other than conditions with respect to actions the Parties will take at the Final Closing itself), or such other date as the Parties may mutually determine (the "Final Closing Date").

b. Conditions Applicable to Purchaser and Seller. The respective obligations of each party to consummate the Final Closing shall be subject to the satisfaction or waiver of each of the following conditions:

i. No statute, rule, regulation, executive order, or decree that makes illegal or prohibits or restricts the consummation of the Final Closing will have been enacted, adopted, or promulgated;

ii. There shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of the Final Closing;
and

iii. The Parties shall have received the grant and approval by the CCB and the City of Reno of a Transfer of Interests permitting the transfer and sale of the Regulatory Assets contemplated hereby, and no such consent, authorization, order, grant or approval shall have been revoked.

c. Conditions to Purchaser's Obligations. Purchaser's obligations to consummate the transactions contemplated hereby in connection with the Final Closing are subject to satisfaction of the following conditions, any one or more of which Purchaser may waive:

i. Seller shall have performed and complied with the covenant set forth in Sections 6(a) through (c), through and at the Final Closing, and Seller shall have delivered to Purchaser those items described in Section 5(e)(i).

d. Conditions to Seller's Obligations. Seller's obligations to consummate the transactions contemplated hereby in connection with the Final Closing are subject to satisfaction of the following conditions, any one or more of which Seller may waive:

i. The representations and warranties of Purchaser shall be true and correct in all material respects at and as of the Final Closing Date;
and

ii. Purchaser shall have performed and complied with all its covenants hereunder through and at the Final Closing, and Purchaser shall have delivered to Seller the Final Purchase Price and the items described in Section 5(e)(ii).

e. Deliverables.

i. At the Final Closing, Seller shall deliver or cause to be delivered to the Purchaser:

(A) a duly executed Assignment and Assumption Agreement for the Regulatory Assets, and (B) such other instruments of assignment, transfer and conveyance as Purchaser shall reasonably request.

ii. At the Final Closing, Purchaser shall deliver or cause to be delivered to Seller: (A) the Final Purchase Price, and (B) a duly executed original of the Assignment and Assumption Agreement for the Regulatory Assets.

6. Covenants of the Parties.

a. General. Each of the Parties will use its commercially reasonable efforts to take all actions and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the Closing conditions set forth in Sections 4 and 5 above). Neither Party will take any action that would or might result in any of its representations and warranties in this Agreement becoming false or incorrect in any material respect.

b. Cooperation.

i. Each of the Parties will take all reasonable actions necessary to obtain (and will cooperate with the other Party in obtaining) any consent, approval, order, or authorization of, or any registration, declaration of filing with, any Governmental Authority, domestic or foreign, or other person, required to be obtained or made by a Party in connection with the transactions contemplated by this Agreement, including, without limitation, the filing of the application for the Conditional TOI with the CCB, providing any documents or information requested by the CCB in connection with its review and approval of the Conditional TOI and final approval of the transfer of interests for the Regulatory Assets, the report of the Conditional TOI, and filing of a conditional license change application, with the City of Reno, and providing any documents or information requested by the City of Reno in connection therewith.

ii. Each Party will keep the other Party reasonably apprised of the status of matters relating to the consummation of the transactions contemplated hereby and (A) promptly notify the other Party of, and if in writing, furnish the other party with copies of (or, in the case of material oral communications, advise the other orally of) any communications from or with any Governmental Authority with respect to this Agreement or the consummation of the transactions contemplated hereby, (B) permit the other Party to review and discuss in advance, and consider in good faith the views of the other Party in connection with, any proposed written (or any material proposed oral) communication with any such Governmental Authority, (C) furnish the other Party with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and any such Governmental Authority with respect to this Agreement or the consummation of the transactions contemplated hereby, and (D) furnish the other Party with such necessary information and reasonable assistance as the other party may reasonably request in connection with its preparation of any filings or submissions of information to any such Governmental Authority necessary for the consummation of the transactions contemplated hereby.

c. Conduct of Seller. From the date hereof until the Initial Closing, except as consented to in writing by Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed), Seller shall conduct the Business in the ordinary course of business consistent with past practice, and use commercially reasonable efforts to maintain and preserve intact the current business of Seller and to preserve the rights, franchises, goodwill and relationships of its employees, customers and others having business relationships with the Business. Without limiting the foregoing, from the date hereof until the Initial Closing, Seller shall: (A) preserve and maintain all licenses, permits, franchises, approvals, consents and other authorizations required for Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets, including, without limitation, the Regulatory Assets, (B) pay the debts, taxes and other obligations of the Business when due, except as may be contested by Seller in good faith, (C) maintain the Purchased Assets in the condition thereof as of the date of this Agreement, subject to reasonable wear and tear, and (D) perform all of its obligations, in all material respects, under all Assigned Contracts, except such obligations as may be contested in good faith by Seller.

d. Notice of Certain Events. From the date hereof until the Closing, each Party shall promptly notify the other Party in writing of any fact, circumstance, event or action the existence, occurrence or taking of which (i) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on such Party, or with respect to Seller, the Business or Purchased Assets, (ii) has resulted in, or could reasonably be expected to result in, any representation or warranty made by the such Party hereunder not being true and correct, (iii) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in Sections 4 or 5 to be satisfied, or (iv) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement.

e. Employment Matters.

i. Seller shall terminate all its employees as of 11:59 p.m. (Pacific Time) on the Initial Closing Date at its own cost and expense, including making any severance or other required payments to its employees. Purchaser may offer, through itself or one of its affiliates, to each employee of Seller employed exclusively at the Location, an "at will" position to be effective as of 12:00 a.m. (Pacific Time) on the day immediately following the Initial Closing Date (the "Hire Date," and each such employee who has accepted such offer of employment shall be referred to as the "Purchaser Employees"), on terms, wages and other compensation commensurate with Purchaser's other employees. Purchaser or the applicable affiliate of Purchaser, as the case may be, may terminate at will the employment of any Purchaser Employee for any reason or no reason following the Hire Date. Purchaser will promptly notify Seller of any employee who does not accept such offer of employment.

ii. Nothing in this Agreement shall in any way establish any requirements or create any other liability from Purchaser to any employee of Seller, including any duty, requirement, obligation or other liability relating to continued employment, compensation, benefit plans, programs, policies and arrangements, or any other matter in connection with their employment. Further, Purchaser shall not be responsible for any liabilities arising out of or relating to the termination or resignation of any employee of Seller on or before the Hire Date.

f. Public Announcements. Unless otherwise required by applicable law or stock exchange requirements (based upon the reasonable advice of counsel), no Party shall make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed), and the Parties shall cooperate as to the timing and contents of any such announcement.

g. Sales and Use Taxes. Following the Initial Closing Purchaser shall be responsible for payment of all state and local sales and use taxes, if any, payable in connection with the consummation and performance of the transactions contemplated hereby. The Parties agree that the Parties view this transaction as an "occasional sale" under Nevada Revised Statutes Section 372.035 and Section 374.040.

h. Further Assurances. Following the Closing, each of the Parties shall execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

7. Indemnity.

a. Survival Period. The representations and warranties of the Parties contained in this Agreement shall survive the Initial Closing for a period of six (6) months, provided that (i) the representations and warranties of Seller set forth in Section 3(a)(viii) solely with respect to the Regulatory Assets, shall survive the Final Closing for a period of six (6) months, and (ii) the representations and warranties of the Parties set forth in Sections 3(a)(i), (ii), (x) and (xii) and 3(b)(i), (ii), (v) and (vi) (the "Fundamental Representations"), shall survive until the expiration of the applicable statute of limitations plus sixty (60) days. The covenants of the Parties shall survive until fully performed. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching Party to the breaching Party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of such survival period and such claims shall survive until finally resolved.

b. Indemnification.

i. Seller shall indemnify, defend, and hold harmless Purchaser, and its members, managers, affiliates, employees, agents, successors and assigns (each a "Purchaser Indemnitee," and, collectively, "Purchaser Indemnitees"), from and against any Losses (as defined below), suffered by any Purchaser Indemnitee arising from or relating to (A) a breach or failure of any representation or warranty of Seller set forth in Section 3(a), (B) any breach by Seller of any covenant or agreement of Seller contained in this Agreement to be performed or complied with by Seller, and (C) the Excluded Assets or Excluded Liabilities.

ii. Purchaser shall indemnify, defend, and hold harmless Seller and its directors, officers, stockholders, employees, agents, affiliates, successors and assigns (each a "Seller Indemnitee," and, collectively, "Seller Indemnitees"), from and against any Losses suffered by any Seller Indemnitee arising from or relating to (A) a breach or failure of any representation or warranty of Purchaser set forth in Section 3(b), (B) any breach by Purchaser of any covenant or agreement of Purchaser contained in this Agreement to be performed or complied with by Purchaser, and (C) the Purchased Assets or Assumed Liabilities.

c. Matters Involving Third Parties. If any third party notifies a Party entitled to indemnification by the other Party hereunder (the "Indemnified Party") with respect to any matter (a "Third-Party Claim") that may give rise to a claim for indemnification against the other Party (the "Indemnifying Party") under this Section 7, then the Indemnified Party shall promptly (and in any event within five (5) business days after receiving notice of the Third-Party Claim) notify the Indemnifying Party thereof in writing. The Indemnifying Party will have the right at any time to assume and thereafter conduct the defense of the Third-Party Claim with counsel of its choice satisfactory to the Indemnified Party in its sole discretion; provided, however, that the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third-Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld) unless the judgment or proposed settlement involves only the payment of money damages and does not impose an injunction or other equitable relief upon the Indemnified Party. Unless and until an Indemnifying Party assumes the defense of the Third-Party Claim as provided above, the Indemnified Party may defend against the Third-Party Claim in any manner he, she, or it may reasonably deem appropriate. In no event will the Indemnified Party consent to the entry of any judgment on or enter into any settlement with respect to the Third-Party Claim without the prior written consent of each of the Indemnifying Parties (not to be unreasonably withheld).

d. Limitations on Indemnity.

i. Subject to Section 7(d)(iii), Seller shall not have any liability to Purchaser Indemnitees for Losses under Section 7(b)(i)(A) unless and until the aggregate amount of all such Losses exceeds Forty-Five Thousand US Dollars (\$45,000) (the "Deductible"), in which event the right to be indemnified pursuant to Section 7(b)(i)(A) shall apply to all such Losses that exceed the Deductible.

ii. Subject to Section 7(d)(iii), the maximum liability of Seller for Losses under Section 7(b)(i)(A) shall not exceed Four Hundred Fifty Thousand US Dollars (\$450,000) (the "Cap").

iii. Notwithstanding the limitations set forth in Sections 7(d)(i) and (ii), the Deductible and the Cap shall not apply in the case of any Losses arising out of (A) any inaccuracy in or breach of any Fundamental Representation, or (B) any fraud, willful misconduct or intentional misrepresentation by Seller.

iv. Notwithstanding anything in this Agreement to the contrary, in no event shall the aggregate liability of Seller Parties, and any indemnification amounts paid by Seller Parties, exceed the Purchase Price.

v. Payments by an Indemnifying Party pursuant to this Section 7 in respect of any Losses shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment received or reasonably expected to be received by the Indemnified Party in respect of any such claim. The Indemnified Party shall use its commercially reasonable efforts to recover under insurance policies or indemnity, contribution or other similar agreements for any Losses prior to seeking indemnification under this Agreement.

vi. Each Indemnified Party shall take all reasonable steps to mitigate any Losses upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Losses.

e. Sole and Exclusive Remedy. Except as set forth in Sections 10(b), 8(c), and 8(d), the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Section 7. In furtherance of the foregoing, each Party hereby waives, to the fullest extent permitted under law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement such Party may have against the other Party hereto, and each of their respective directors, officers, stockholders, members, managers, employees, agents, affiliates, successors and assigns, at law, in equity or otherwise, except pursuant to the indemnification provisions set forth in this Section 7 or as contemplated by Sections 10(b), 8(c), and 8(d). For purposes of clarification, nothing in this Section 7(e) shall limit any Party's right to seek and obtain any equitable relief to which any Person shall be entitled pursuant to Section 10(b), or Seller's rights pursuant to Sections 8(c) or 8(d).

8. Termination.

a. Termination of Agreement. The Parties may terminate this Agreement as provided below:

i. Purchaser and Seller may terminate this Agreement by mutual written consent at any time before the Initial Closing;

ii. Purchaser may terminate this Agreement by giving written notice to Seller at any time before the Initial Closing in the event Seller has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, Purchaser has notified Seller of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach; and

iii. Seller may terminate this Agreement by giving written notice to Purchaser at any time before the Initial Closing in the event Purchaser has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, Seller has notified Purchaser of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach.

b. Effect of Termination. If any Party terminates this Agreement pursuant to Section 8(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach), provided, however, that any provision that expressly survives, or by its nature should survive, termination hereof shall survive termination.

c. Failure of Initial Closing to Occur.

i. If the Initial Closing fails to occur solely due the failure of the condition precedent to Initial Closing set forth in Section 4(b)(iv), and such the failure results solely and exclusively from Seller's breach of a covenant contained in this Agreement, Purchaser shall be entitled, as its sole and exclusive remedy, at Purchaser's election to either (A) terminate this Agreement and receive a return of the Deposit in its entirety from Seller, or (B) to enforce specific performance of this Agreement. Purchaser expressly waives its rights to seek any damages or to exercise any other right or remedy of Purchaser hereunder, at law, in equity or otherwise, in the event of a failure of the condition precedent to Initial Closing set forth in Section 4(b)(iv) resulting solely and exclusively from Seller's breach, except as provided above. Notwithstanding the foregoing, no breach shall occur until notice thereof is given to Seller by Purchaser, describing the nature of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach. If Purchaser fails to file suit for specific performance against Seller in a court prescribed by Section 10(d) hereof, within ten (10) days following the date upon which the foregoing thirty (30) day period expires without cure of a breach by Seller, Purchaser shall be deemed to have elected subsection (A). Upon the consummation of the transactions contemplated by subsection (A) above, this Agreement shall terminate in accordance with Section 8(b).

ii. If the Initial Closing fails to occur for any reason other than the failure of the condition precedent to Initial Closing set forth in Section 4(b)(iv) resulting solely and exclusively from Seller's breach of a covenant contained in this Agreement, including, without limitation, any breach or default by Purchaser hereunder, Seller shall be entitled to terminate this Agreement and retain the Deposit, as liquidated damages, and upon such termination this Agreement shall terminate in accordance with Section 8(b).

THE PARTIES HAVE AGREED THAT SELLER'S ACTUAL DAMAGES, IN THE EVENT OF A FAILURE TO CONSUMMATE THE INITIAL CLOSING CONTEMPLATED BY THIS SECTION 8(c)(ii), WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. AFTER NEGOTIATION, THE PARTIES HAVE AGREED THAT, CONSIDERING ALL THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT, THE AMOUNT OF THE DEPOSIT IS A REASONABLE ESTIMATE OF THE DAMAGES THAT SELLER WOULD INCUR IN SUCH EVENT. BY PLACING THEIR INITIALS BELOW, EACH PARTY SPECIFICALLY

CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THIS PROVISION. THE FOREGOING IS NOT INTENDED TO LIMIT ANY OTHER PROVISION OF THIS AGREEMENT.

Seller's Initials: KC Purchaser's Initials: ALP

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d. Failure of Final Closing to Occur.

i. If the Final Closing fails to occur solely due the failure of the condition precedent to Final Closing set forth in Section 5(b)(iii), and such the failure results solely and exclusively from Seller's breach of a covenant contained in this Agreement, Purchaser shall be entitled, as its sole and exclusive remedy, at Purchaser's election to either (A) terminate this Agreement and transfer, reconvey and assign the Non-Regulatory Assets, Assigned Contracts and Permits to Seller by delivery of a Bill of Sale and Assignment and Assumption Agreement therefor duly executed by Purchaser, along with the withdrawal of the Conditional TOI and Reno Application such that the Regulatory Assets revert to Seller and permit Seller's immediate operation of the Business at the Location, and the delivery by Purchaser to Seller of any documents, duly executed by Purchaser, necessary to effect the foregoing, and, upon the satisfaction of the foregoing by Purchaser, to receive a return of the Initial Purchase Price in its entirety from Seller, or (B) to enforce specific performance of this Agreement. Purchaser expressly waives its rights to seek any damages or to exercise any other right or remedy of Purchaser hereunder, at law, in equity or otherwise, in the event of a failure of the condition precedent to Final Closing set forth in Section 5(b)(iii) resulting solely and exclusively from Seller's breach, except as provided above. Notwithstanding the foregoing, no breach shall occur until notice thereof is given to Seller by Purchaser, describing the nature of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach. If Purchaser fails to file suit for specific performance against Seller in a court prescribed by Section 10(d) hereof, within ten (10) days following the date upon which the foregoing thirty (30) day period expires without cure of a breach by Seller, Purchaser shall be deemed to have elected subsection (A). Upon the consummation of the transactions contemplated by subsection (A) above, this Agreement shall terminate in accordance with Section 8(b).

ii. If the Final Closing fails to occur for any reason other than the failure of the condition precedent to Final Closing set forth in Section 5(b)(iii) resulting solely and exclusively from Seller's breach of a covenant contained in this Agreement, including, without limitation, any breach or default by Purchaser hereunder, Seller shall be entitled to terminate this Agreement and retain from the Deposit and Initial Purchase Price the amount of One Million Five Hundred Fifty-Seven Thousand Five Hundred US Dollars (\$1,557,500) (the "Retention"), as liquidated damages and without limiting Seller's rights and remedies set forth in subsection (iii) below. Upon such termination Purchaser shall transfer, reconvey and assign the Non-Regulatory Assets, Assigned Contracts and Permits to Seller by delivery of a Bill of Sale and Assignment and Assumption Agreement therefor, duly executed by Purchaser, along with the withdrawal of the Conditional TOI and Reno Application such that the Regulatory Assets revert to Seller and permit Seller's immediate operation of the Business at the Location, and shall deliver to Seller any documents, duly executed by Purchaser, necessary to effect the foregoing, and, upon the satisfaction of the foregoing Seller shall return the amount of the Initial Purchase Price, less the Retention, to Purchaser. Upon the consummation of the transactions contemplated by this subsection (ii), this Agreement shall terminate in accordance with Section 8(b).

THE PARTIES HAVE AGREED THAT SELLER'S ACTUAL DAMAGES, IN THE EVENT OF A FAILURE TO CONSUMMATE THE FINAL CLOSING CONTEMPLATED BY THIS SECTION 8(d)(ii), WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. AFTER NEGOTIATION, THE PARTIES HAVE AGREED THAT, CONSIDERING ALL THE

CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT, THE AMOUNT OF THE RETENTION IS A REASONABLE ESTIMATE OF THE DAMAGES THAT SELLER WOULD INCUR IN SUCH EVENT. BY PLACING THEIR INITIALS BELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THIS PROVISION. THE FOREGOING IS NOT INTENDED TO LIMIT ANY OTHER PROVISION OF THIS AGREEMENT.

Seller's Initials: KC

Purchaser's Initials: [Signature]
Buyer's Name
I am the author of this
document
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iii. Purchaser shall indemnify, defend, and hold harmless Seller Indemnitees from and against any Losses suffered by any Seller Indemnitee arising from a Third-Party Claim relating to Purchaser's operation of the Business or Location, or ownership or use of the Purchased Assets or Assumed Liabilities, arising during or related to the period from the Initial Closing through the date of termination of this Agreement as contemplated by Sections 8(d)(i)(A) or 8(d)(ii) above. Any Third-Party Claim for which Seller Indemnitees are entitled pursuant to this Section 8(d)(iii) shall be handled as set forth in Section 7(c) above. This Section 8(d)(iii) shall survive the termination of this Agreement.

9. Definitions.

a. "Losses" means, without duplication, losses, liabilities, demands, claims, actions, causes of action, costs, obligations, damages, deficiencies, penalties, fines and expenses (including, without limitation, reasonable attorneys' fees and expenses and all reasonable amounts paid in investigation, defense or settlement of any of the foregoing), but specifically excluding (i) any such items to the extent actually reduced by any recovery (net of any deductibles and other fees and expenses incurred by such party in recovering such amounts) from insurance, (ii) any exemplary, consequential, remote or speculative damages, (iii) any punitive damages, (iv) any loss of future revenue or income, loss of business reputation or opportunity, or any diminution in value, lost profits, or losses calculated based upon a multiple of earnings, EBITDA or similar approach, and (v) any such items to the extent speculative or remote, or unasserted, contingent or otherwise unaccrued.

b. "Material Adverse Effect" means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property or results of operations of a Party, or the Business or Purchased Assets, provided that none of the following (either alone or in combination with any other event, circumstance, change, occurrence or effect (each, an "Event")), shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Effect: any adverse Event arising from or relating to (i) general business, industry or economic conditions, including such conditions related to the business or the industry in which a Party of the Business operates, (ii) any failure by the Business to meet, with respect to any period or periods, any projections or forecasts, estimates of earnings or revenues or business plan, (iii) national or international political, regulatory or social conditions, including the engagement by the United States or any other country or group in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States or any other country, or any of their respective territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States or any other country or group, (iv) changes in generally accepted accounting principles, (v) changes in law, rules, regulations, orders, or other binding directives issued by any Governmental Authority, (vi) the negotiation, execution, delivery, performance, consummation or announcement of this Agreement or the transactions contemplated by this Agreement, (vii) changes or developments affecting financial, credit, securities or capital market conditions, (viii) the loss of any customer, or (ix) any "act of God," including, but not limited to, weather, natural disasters, earthquakes, pandemics, epidemics and states of emergency.

c. "Seller's Knowledge," or words of similar import, means the actual knowledge of Keith Capurro, Jon Marshall and Dennis Smith, as of the date hereof, based on reasonable investigation or inquiry and without imposing any person liability thereon.

10. Miscellaneous.

a. Notices. All notices and other communications hereunder shall be in writing. Notices shall be delivered personally, by registered or certified mail return receipt requested, by an internationally recognized overnight courier service, by facsimile or electronic mail (each with copy by other means of notice), or registered or certified mail (postage prepaid, return receipt requested). Notices shall be effective when delivered in this manner and will be deemed given on the date the notice is delivered to the following address (or to such other address or addresses as a Party may from time to time designate in writing):

If to Purchaser:

Silver State Relief, LLC
175 E. Greg Street
Sparks, Nevada 89431
Attention: Sonny Newman
Email: snewman@eetechinc.com

With copy to (which shall not constitute notice):

Flynn Giudici, PLLC
708 University Way,
Reno, Nevada 89501
Attn: Daniel Giudici
Email: Daniel@flynnjudici.com

If to Seller:

Deep Roots Harvest, Inc.
195 Willis Carrier Canyon
Mesquite, Nevada 89027
Attention: Keith Capurro
Email: keith@deeprootsharvest.com

With copy to (which shall not constitute notice):

McDonald Carano LLP
100 West Liberty Street, 10th Floor Reno, Nevada 89501
Attn: Brian S. Pick
Email: bpick@mcdonaldcarano.com

b. Specific Performance. The Parties each acknowledge that the rights of each Party to consummate the transactions contemplated by this Agreement are special, unique and of extraordinary character and that, in the event that any Party violates or fails or refuses to perform any covenant or agreement made by it in this Agreement, the non-breaching Party may be without an adequate remedy at Law. The Parties agree, therefore, that in the event that any Party violates or fails or refuses to perform any covenant or agreement made by such Party in this Agreement, the non-breaching Party may, subject to the terms of this Agreement, institute and prosecute an action in any court of competent jurisdiction to enforce specific performance of such covenant or agreement or seek any other equitable relief (without any requirement to post bond).

c. Entire Agreement; Amendment. This Agreement may be amended by the Parties only by an instrument in writing signed on behalf of each of the Parties. This Agreement constitutes the entire agreement and supersedes all prior and contemporaneous agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof.

d. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada as applied to agreements made and performed in Nevada by residents of Nevada. Any legal action arising out of or based upon this Agreement or the transactions contemplated hereby shall be instituted in the state or federal courts located in Washoe County, Nevada, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such action. The Parties irrevocably and unconditionally waive any objection to the laying of venue of any action in such courts and irrevocably waive and agree not to plead or claim in any such court that any such action brought in any such court has been brought in an inconvenient forum.

e. Counterparts. This Agreement may be executed in multiple counterparts, including by way of facsimile, electronic mail or other means of electronic transmission, each of which shall be deemed an original, but all of which taken together shall constitute one instrument. A signed copy of this Agreement delivered by facsimile, electronic mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

f. Attorney Fees. In any arbitration or court action between the Parties to enforce this Agreement or the Parties' rights hereunder, the prevailing party in such action (as determined by the arbitral panel or court) shall be entitled to receive a reasonable sum for its attorney fees and all other reasonable costs and expenses incurred in such action or suit.

g. Severability of Provisions. If any provision of this Agreement is held invalid or unenforceable, the remaining provisions of this Agreement shall not be affected thereby.

h. Assignment, Successors, and Assigns. This Agreement may not be assigned by a Party whether by operation of law or otherwise without the prior written consent of the other Party. Without limiting the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

i. Headings. The headings contained in this Agreement are for reference only and shall not affect the meaning of any section.

j. Fees, Costs, and Expenses. Unless specifically stated to the contrary in this Agreement, all expenses incurred in connection with the transactions contemplated by this Agreement shall be the sole responsibility of the Party incurring such expenses. Such expenses shall include fees incurred for accountants, investment bankers, brokers, and legal counsel.

k. Announcements. Without limiting Section 6(e) above, except as required by law, neither Party will make any public disclosure of this Agreement without the prior consent of the other Party.

1. Full Understanding. Each of the Parties hereby acknowledges and confirms that each has read and understands the entirety of this Agreement, including the representations and warranties, covenants, and indemnification obligations contained herein. The Parties negotiated this Agreement at arm's length, jointly participated in drafting it, and received advice from independent legal counsel, or knowingly and intelligently elected not to receive such advice, before such Party signed this Agreement. Accordingly, any court or other governmental authority or arbitrator construing or interpreting this Agreement will do so as if the Parties jointly drafted it and will not apply any presumption, rule of construction, or burden of proof favoring or disfavoring a Party because that party (or any of its representatives) drafted any part of this Agreement.

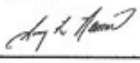
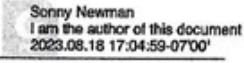
[Signatures appear on following page]

[Signature Page to Asset Purchase Agreement]

IN WITNESS WHEREOF, the undersigned have executed this Asset Purchase Agreement as of the date first written above.

PURCHASER

Silver State Relief, LLC, a Nevada limited-liability company

By:   Sunny Newman
I am the author of this document
2023.06.18 17:04:59-0700

Print: Sunny L. Newman

Title: CEO

SELLER

Deep Roots Harvest, Inc., a Nevada corporation

By: 
Keith Capurro, President

EXHIBIT A

Form of Bill of Sale

BILL OF SALE

This Bill of Sale ("Bill of Sale") is made effective as of _____, 2023 ("Effective Date"), by and between Silver State Relief, LLC, a Nevada limited-liability company ("Purchaser"), and Deep Roots Harvest, Inc., a Nevada corporation ("Seller"). Purchaser and Seller are sometimes referred to collectively herein as the "Parties," and each as a "Party." Capitalized terms used but not defined in this Bill of Sale shall have the meaning provided those terms in that certain Asset Purchase Agreement, dated as of _____, 2023, by and between Purchaser and Seller (the "Asset Purchase Agreement").

NOW, THEREFORE, for good and valuable consideration as set forth in the Asset Purchase Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Transfer. Seller hereby grants, sells, conveys, assigns, transfers, and delivers to Purchaser, as of the Effective Date, all of Seller's right, title, and interest in and to all the Non-Regulatory Assets that constitute tangible personal property.
2. Further Assurances. From time to time, as and when requested by Purchaser, Seller shall execute and deliver, or cause to be executed and delivered, such documents and instruments, and shall take, or cause to be taken, such further actions as may be reasonably necessary to carry out the purpose of this Bill of Sale.
3. Terms of the Asset Purchase Agreement. The terms of the Asset Purchase Agreement are incorporated herein by reference. In the event of any conflict or inconsistency between the terms of the Asset Purchase Agreement and the terms hereof, the terms of the Asset Purchase Agreement shall govern.

IN WITNESS WHEREOF, the undersigned have executed this Bill of Sale as of the date first written above.

PURCHASER

Silver State Relief, LLC, a Nevada limited- liability company

SELLER

Deep Roots Harvest, Inc., a Nevada corporation

By: _____

Print: _____

Title: _____

By: _____
Keith Capurro, President

EXHIBIT B

Form of Assignment and Assumption Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (the "Agreement"), dated _____, 2023 (the "Effective Date"), is entered into by and between Silver State Relief, LLC, a Nevada limited-liability company ("Assignee"), and Deep Roots Harvest, Inc., a Nevada corporation ("Assignor"). Assignee and Assignor are sometimes referred to collectively herein as the "Parties," and each as a "Party." Capitalized terms used but not defined in this Agreement shall have the meaning provided those terms in that certain Asset Purchase Agreement, dated as of _____, 2023, by and between Assignee and Assignor, respectively as Purchaser and Seller (the "Asset Purchase Agreement").

NOW, THEREFORE, for good and valuable consideration as set forth in the Asset Purchase Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment of Assets. Subject to the terms and conditions of the Asset Purchase Agreement, the Assignor hereby assigns, sells, transfers, conveys, and delivers to the Assignee all the Assignor's right, title, benefit, privilege, and interest in the [Non-Regulatory Assets/Regulatory Assets].
2. Assumption of Liabilities. Subject to the terms and conditions of the Asset Purchase Agreement, the Assignee hereby expressly assumes and agrees to pay, perform, and discharge, in accordance with their terms, as the same shall become due for payment, performance, or discharge, from and after the Closing, all Assumed Liabilities.
3. Terms of the Purchase Agreement. The terms of the Asset Purchase Agreement are incorporated herein by reference. In the event of any conflict or inconsistency between the terms of the Asset Purchase Agreement and the terms hereof, the terms of the Asset Purchase Agreement shall govern.

IN WITNESS WHEREOF, the undersigned have executed this Assignment and Assumption Agreement as of the date first written above.

PURCHASER

Silver State Relief, LLC, a Nevada limited- liability company

By: _____
Print: _____
Title: _____

SELLER

Deep Roots Harvest, Inc., a Nevada corporation

By: _____
Keith Capurro, President

EXHIBIT C

Form of Lease

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**"), is made and entered into as of _____, 2023 (the "Effective Date"), by and between DRN Holdings, LLC, a limited liability company organized under the laws of the State of Nevada ("**Landlord**"), Silver State Relief, LLC, a Nevada limited liability company ("**Tenant**").

1. **DEFINITIONS.** The terms defined in this Section 1 shall have the following meanings whenever used in this Lease:

(a) "**Acceptance Notice**" has the meaning set forth in Section 17.

(b) "**Act**" means, collectively, Chapters 678A, 678B, 678C and 678D of the Nevada Revised Statutes, as amended, Nevada Cannabis Compliance Regulations (NCCR 1-14), as amended, and the rules and regulations of any other State or local government agency with authority to regulate any cannabis operation (or proposed operation), together with all related rules and regulations thereunder and any amendment or replacement act, rules or regulations.

(c) "**Additional Rent**" means all monetary obligations, other than Base Rent, of Tenant to Landlord under the terms of this Lease, whether or not specified as Additional Rent herein.

(d) "**ADA**" means the Americans with Disabilities Act of 1990, (42 U.S.C. §§ 12101 to 12213), as amended from time to time.

(e) "**Affiliate**" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

(f) "**Alteration(s)**" means any change, alteration, addition, or improvement to the Premises.

(g) "**Appurtenant Improvements**" means all appurtenant improvements and facilities located on or hereafter constructed on the Land for the use or enjoyment of the Building, including, if applicable, all beneficial easements, driveways, sidewalks, parking, loading and landscaped areas, truck wells and any detention and/or retention ponds benefitting the Building, including, without limitation, the On-Site Improvements and Drainage Improvements.

(h) "**Asset Purchase Agreement**" means that certain Asset Purchase Agreement, dated August 18, 2023, by and between Tenant and Deep Roots Harvest, Inc..

(i) "**Award**" has the meaning set forth in Section 13.

(j) "**Base Rent**" has the meaning given in Exhibit B.

(k) "**Building**" means the buildings and improvements (including the Building Systems) now or hereafter constructed on the Land.

(l) "**Building Systems**" means all mechanical, plumbing, electrical, sprinkler, life safety, heating, ventilating and air conditioning systems and other systems serving the Building, provided however, Building Systems shall not include any equipment, trade fixtures or any other fixtures that may be removed from the Premises without material damage to the Building or that are not considered a fixture under applicable Law.

(m) "**Business Day(s)**" means all days, excluding the following days: Saturdays, Sundays, and all days observed as legal holidays by the State and/or the Federal Government.

- (n) "**Capital Infrastructure**" means, collectively, (i) the Building footings, foundations, floor slab, structural steel columns and girders; (ii) the Building roof (including, without limitation, the roof structure, membrane and roof covering) and exterior walls; and (iii) any underground utilities serving the Premises.
- (o) "**Capital Repairs**" means any repairs or replacements of Capital Infrastructure, other than routine maintenance.
- (p) "**CCB**" means the Nevada Cannabis Compliance Board.
- (q) "**Commencement Date**" means the Effective Date.
- (r) "**Condemnation**" has the meaning set forth in Section 13.
- (s) "**Condemnor**" has the meaning set forth in Section 13.
- (t) "**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise and "Controlling" and "Controlled" have meanings correlative thereto.
- (u) "**Cosmetic Alteration**" has the meaning set forth in Section 8(c).
- (v) "**Costs of Reletting**" has the meaning set forth in Section 14.
- (w) "**Date of Condemnation**" has the meaning set forth in Section 13.
- (x) "**Drainage Improvements**" means all drainage retention and storm water runoff systems and other requirements, as well as measures designed to protect wetlands, rare and endangered species, insects, birds, mammals, antiquities, cemeteries and historic or religious shrines located on or benefitting the Land.
- (y) "**Environmental Laws**" means all Laws: (a) relating to the environment, human health, or natural resources; (b) regulating, controlling, or imposing liability or standards of conduct concerning any Hazardous Materials; (c) relating to Remedial Action; and (d) requiring notification or disclosure of releases of Hazardous Materials or of the existence of any environmental conditions on or at the Premises, as any of the foregoing may be amended, supplemented, or supplanted from time to time.
- (z) "**Estimates**" has the meaning set forth in Section 17.
- (aa) "**Event(s) of Default**" has the meaning set forth in Section 14(a).
- (bb) "**Expiration Date**" means ten (10) years from the Initial Closing Date under the Asset Purchase Agreement.
- (cc) "**Extension Option**" has the meaning set forth in Section 17.
- (dd) "**Extension Amendment**" has the meaning set forth in Section 17.
- (ee) "**Extension Term**" has the meaning set forth in Section 17.
- (ff) "**Extension Term Initial Base Rent**" has the meaning set forth in Section 17.
- (gg) "**Fair Market Rental Value**" has the meaning set forth in Section 17.
- (hh) "**Federal Cannabis Laws**" means any U.S. federal laws, civil, criminal or otherwise, as such relate, either directly or indirectly, to the cultivation, harvesting, production, distribution, sale and possession of cannabis, marijuana or related substances or products containing or relating to the same, including, without limitation, the prohibition on drug trafficking under 21 U.S.C. § 841(a), et seq., the conspiracy statute under 18 U.S.C. § 846, the bar against aiding and abetting the conduct of an offense under 18 U.S.C. § 2, the bar against misprision of a felony (concealing another's felonious conduct) under 18 U.S.C. § 4, the bar against being an accessory after the fact to criminal conduct under 18 U.S.C. § 3, and federal money laundering statutes under 18 U.S.C. §§ 1956, 1957, and 1960 and the regulations and rules promulgated under any of the foregoing.

(ii) "**Hazardous Materials**" means any pollutant, contaminant, or hazardous, dangerous, or toxic chemicals, materials, or substances within the meaning of any applicable Environmental Law relating to or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste substance or material, all as amended or hereafter amended, including, without limitation, any material or substance which is: (a) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1317) or equivalent State Laws; (b) defined as a "hazardous waste" pursuant to § 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6903) or equivalent State Laws; (c) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9601) or equivalent State Laws; (d) petroleum; (e) asbestos or asbestos-containing materials; (f) polychlorinated biphenyls ("PCBs") or substances or compounds containing PCBs; (g) radon; (h) medical waste; and (i) petroleum products. Notwithstanding the foregoing, cannabis, marijuana and related substances or products containing or relating to the same are explicitly excluded from this definition of Hazardous Materials.

(jj) "**Interest Rate**" means the Prime Rate plus ten percent (10%) per annum but, in no event, in excess of the maximum permissible interest rate then in effect in the State.

(kk) "**Land**" means all that certain plot, piece, or parcel of land described on Exhibit A attached hereto and made a part hereof.

(ll) "**Landlord Parties**" means Landlord and Landlord's officers, agents, employees, partners, successors, and assigns.

(mm) "**Law(s)**" means all laws, statutes, and ordinances (including building codes, zoning ordinances, and regulations), rules, orders, directives, and requirements of all federal, State, county, municipal departments, bureaus, boards, agencies, offices, commissions, and other subdivisions thereof, or of any official thereof, or of any governmental, public or quasi-public authority, whether now or hereafter in force, which may be applicable to the Premises, or any part thereof, including, without limitation, the ADA, OSHA, and any and all Superior Instruments. Notwithstanding the foregoing, the term "Law(s)" shall explicitly exclude all Federal Cannabis Laws.

(nn) "**Lease**" has the meaning set forth in the first paragraph of this document.

(oo) "**NRS**" has the meaning set forth in Section 8.

(pp) "**On-Site Improvements**" means all sidewalks, service drives, parking areas, driveways, streets, access-ways to public streets and highways, curbs, utilities, directional signs and related improvements and landscaping, delivery and servicing areas adjoining the Building, traffic and parking lot striping and control signs, lighting and any fencing or screening located on or benefitting the Land.

(qq) "**Operating Expenses**" means any and all costs and expenses related to or incurred in connection with the ownership, occupancy, operation, use, monitoring, possession, condition, maintenance, alteration, repair or restoration of the Premises, but explicitly excludes the following: (a) principal, interest or any other payments or amounts due with respect to any mortgage loan or other financing of Landlord; (b) legal, accounting and other professional fees and costs incurred by Landlord; (c) any amount paid by Landlord to any Affiliate of Landlord for any services, to the extent such amount materially exceeds the cost that would have been paid to a Third Party for such services; (d) for costs, expenses and damages resulting from the active negligence or willful misconduct by Landlord and any Landlord Parties; and (e) costs and expenses that Landlord is otherwise obligated to pay under the terms of this Lease.

(rr) "OSHA" means the Occupational Safety and Health Act (29 U.S.C. §§ 651 to 678), as amended from time to time.

(ss) "Party" or "Parties" means the Landlord, the Tenant and their respective successors and assigns.

(tt) "Person(s) or person(s)" means any natural person or persons, a limited liability company, a limited partnership, a partnership, a corporation, and any other form of business or legal association or entity.

(uu) "Personal Property" means all tangible personal property now or at any time hereafter located on or at the Premises, including, without limitation, all trade fixtures, machinery, appliances, furniture, equipment, and inventory.

(vv) "Permitted Transfer" means the assignment of Tenant's interest in this Lease or the sublease of the Premises to any Affiliate of Tenant, provided that Tenant remains liable hereunder.

(ww) "Permitted Transferee" means any transferee or sub-lessee pursuant to a Permitted Transfer.

(xx) "Permitted Use" means (i) primarily, use in connection with the operation of cannabis retail sales and associated general office use in compliance with the Act and the guidance and instruction of the Regulator, and (ii) secondarily, any use in compliance with Law. In the event that a change in Law renders the use described in clause (i) of the previous sentence a violation of Law, upon Landlord's receipt of written notice of the same from Tenant, the "Permitted Use" will mean any use in compliance with Law.

(yy) "Premises" means the Land, the Building and the Appurtenant Improvements.

(zz) "Primary Lease Term" means the initial term of this Lease beginning on the Commencement Date and ending on the Expiration Date.

(aaa) "Prime Rate" means the prime or base rate announced as such from time to time by Wells Fargo Bank, N.A., and if not available, a comparable rate announced by another national bank selected by Landlord. Any interest payable under this Lease with reference to the Prime Rate shall be adjusted on a daily basis, based upon the Prime Rate in effect at the time in question, and shall be calculated on the basis of a 360-day year with twelve (12) months of thirty (30) days each.

(bbb) "Real Estate Taxes" means any form of real estate tax or assessment, real property taxes, and general, special or district assessments or other governmental impositions, of whatever kind, nature or origin, imposed on or by reason of the ownership or use of the Premises, or any portion thereof by any authority having the direct or indirect power to tax, including any city, State, or federal government, or any school, sanitary, fire, street, drainage, or other improvement district thereof, levied against the Premises or any portion thereof. The term "Real Estate Taxes" shall also include any delinquency charges, interest, penalties and other charges if Tenant fails to pay the Real Estate Taxes when due, and any tax, fee, levy, assessment, or charge, or any increase therein, imposed by reason of events occurring, or changes in applicable zoning, municipal, county, State, and federal Laws, ordinances, and regulations, and any covenants or restrictions of record taking effect during the Term of this Lease, including but not limited to a change in ownership of the Premises (or any portion thereof), the execution of this Lease, or any modification, amendment, or transfer thereof, and whether or not contemplated by the Parties hereto. Notwithstanding the foregoing, Real Estate Taxes shall specifically exclude the following: (a) any and all taxes on Landlord's income; (b) franchise taxes or corporate or unincorporated business taxes; (c) estate, gift, succession, or inheritance taxes; (d) any capital gains or profits taxes; (e) transfer taxes, or any similar taxes imposed on Landlord, unless those taxes are levied, assessed, or imposed in lieu of or in substitution for the whole or any part of the taxes, assessments, levies, or impositions that now constitute the defined term "Real Estate Taxes"; (f) any tax imposed with respect to the sale, exchange or other disposition by Landlord of the fee estate in the Premises; and (g) the incremental portion of any of the items in this Section that would not have been levied, imposed or assessed but for any sale of the fee estate in the Premises.

(ccc) "**Regulator**" means, collectively, the CCB and any other State or local government agency with authority to regulate any cannabis operation, together with any successor or regulator with overlapping jurisdiction.

(ddd) "**Rejection Notice**" has the meaning set forth in Section 17.

(eee) "**Remedial Action**" means the investigation, response, clean up, remediation, prevention, mitigation, or removal of any Hazardous Materials necessary to comply with any Environmental Laws.

(fff) "**Rent**" means Base Rent and Additional Rent, collectively.

(ggg) "**Rent Commencement Date**" means the Commencement Date.

(hhh) "**Rent Payment Address**" means an address designated in writing by Landlord.

(iii) "**Security Deposit**" has the meaning given in Section 3.

(jjj) "**State**" means the State of Nevada.

(kkk) "**Substitute Tax**" has the meaning given in Section 4.

(lll) "**Superior Instruments**" means any reciprocal easement, covenant, restriction, restriction of easement, condominium documents, association requirements, or other agreement of record affecting the Premises as of the date of this Lease or subsequent thereto.

(mmm) "**Tenant's Equipment**" means all of Tenant's Personal Property now or hereafter located in the Premises and any Personal Property installed by Tenant in the Premises that is or may be leased by Tenant or purchased by Tenant from a lessor or conditional seller or otherwise hypothecated to a Third Party.

(nnn) "**Tenant Parties**" means Tenant and Tenant's officers, agents, employees, partners, successors, and assigns.

(ooo) "**Tenant's Required Insurance**" means the following policies of insurance meeting the following requirements:

(i) Commercial general liability insurance on an occurrence or claims-made coverage form, with coverages including but not limited to bodily injury (including death), property damage (including loss of use resulting therefrom), premises/operations, personal & advertising injury, and contractual liability with limits of liability of not less than \$1,000,000 for bodily injury and property damage per occurrence, \$2,000,000 general aggregate, which limits may be met by use of excess and/or umbrella liability insurance provided that such coverage is at least as broad as the primary coverages required herein.

(ii) Commercial "all-risk" property and casualty insurance, including, fire and extended coverage to the extent of the full replacement cost of the Premises, including, at Landlord's option, earthquake and flood coverage and other endorsements which Landlord may require Tenant to maintain, together with a builder's risk insurance policy during any period of construction at the Premises, in such amounts and with such deductibles and other provisions as Landlord may determine in its sole discretion.

(iii) Commercial property insurance with "causes of loss-special form coverage," insuring Tenant's Personal Property and any Tenant Alterations. For the avoidance of doubt, covered property shall include Tenant's property including personal property, furniture, fixtures, machinery, equipment, stock and inventory. This property may be leased, rented, borrowed or in the care custody or control of Tenant, or Tenant's agents, employees or subcontractors. Such insurance shall be written on an "all risk" of physical loss or damage basis including, but limited to, coverage of electrical injury, mechanical breakdown, windstorm, vandalism, malicious mischief, sprinkler leakage, back-up of sewers or drains, flood, and earthquake, for the full replacement cost value of the covered items with an agreed amount endorsement with no co-insurance.

(iv) Workers' compensation and occupational disease insurance, employee benefit insurance or any other insurance in the statutory amounts required by Law.

(v) Automobile insurance, covering all owned, non-owned, borrowed or hired vehicles, including loading and unloading thereof, with a combined single limit of One Million and No/100ths Dollars (\$1,000,000.00) for bodily injury and property damage arising out of ownership, maintenance or use of any vehicle.

(vi) No policy required to be maintained by Tenant will be cancelable or subject to reduction of coverage or other modification or cancellation except after twenty (20) days' prior written notice to Landlord from Tenant or its insurers (except in the event of non-payment of premium, in which case ten (10) days' written notice shall be given). All such policies will be written as primary policies, not contributing with and not in excess of any coverage that Landlord may carry. Tenant's required policies will contain severability of interests clauses stating that, except with respect to limits of insurance, coverage shall apply separately to each insured or additional insured. Tenant will, at least five (5) days prior to the expiration of such policies, furnish Landlord with renewal certificates of insurance or binders. The policies required to be maintained pursuant to (i) and (ii) above will name the Landlord as an additional insured with respect to liability arising from Tenant's use or occupancy of the Premises. Upon demand, Tenant shall provide Landlord, at Tenant's expense, with such increased amount of existing insurance, and such other insurance as Landlord or Landlord's lender may reasonably require, to afford Landlord and Landlord's lender adequate protection. Any limits set forth in this Lease on the amount or type of coverage required by Tenant's insurance shall not limit the liability of Tenant under this Lease.

(vii) Landlord acknowledges that Tenant's insurance as disclosed to Landlord in writing as of the Effective Date satisfies the requirements of this Section.

(ppp) "**Term**" means the Primary Lease Term, together with any Extension Term.

(qqq) "**Third Party**" means any Person that is not an Affiliate of Tenant.

(rrr) "**Transfer**" means, whether directly or indirectly, voluntarily or by operation of Law, the subletting, sale, assignment, encumbrance, mortgage, pledge, or other transfer of the Premises or Tenant's interest in this Lease that is not a Permitted Transfer.

2. **LEASE AND ACCEPTANCE OF PREMISES.** Subject to the terms and conditions of this Lease, and as a condition of the Asset Purchase Agreement, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises in their "as-is" condition for the Primary Lease Term.

3. **RENT.**

(a) **Rent Commencement Date.** The payment of Rent hereunder, and the Rent Commencement Date, shall commence on the Effective Date.

(b) **Base Rent.** Tenant covenants and agrees to pay Base Rent to Landlord throughout the Primary Lease Term of this Lease in equal monthly installments, in advance, commencing on the Rent Commencement Date, and thereafter on the first (1st) day of each calendar month during the Term.

(c) **Additional Rent.** Except as otherwise expressly provided in this Lease, Tenant shall be responsible for, at its sole cost and expense, all Operating Expenses. Tenant shall pay all Operating Expenses directly. If Tenant has not paid any Operating Expenses within ten (10) days after the same are due, upon at least five (5) days' prior written notice to the Tenant, Landlord may pay such amount, and the amount so paid, together with interest thereon at the Interest Rate from the date of payment shall be Additional Rent hereunder and shall be payable by Tenant on demand from Landlord as to such obligation.

(d) **Time and Manner of Payments.**

(i) Without limiting subsection (c) above, Tenant shall pay to Landlord all Additional Rent that is payable to Landlord pursuant to the terms and conditions of this Lease within thirty (30) days after written demand therefor from Landlord, unless a different time period is specified in this Lease.

(ii) All Rent shall be paid, without notice or demand, except as otherwise specifically provided in this Lease:

(1) by good check drawn on an account at a bank in currency that at the time of payment is legal tender for public and private debts in the United States of America, made payable to Landlord at Landlord's Rent Payment Address or to such other addresses as Landlord shall direct by notice to Tenant from time to time;

(2) at Landlord's or Tenant's option, by wire transfer of immediately available funds to an account at a bank designated by Landlord in writing; or

(3) by any other method reasonably requested by Landlord.

(e) **Late Payment.** If any payment of Base Rent or Additional Rent is not received by Landlord within ten (10) days of the applicable due date, Tenant shall pay to Landlord, then Tenant shall also pay to Landlord, when such late payment is actually paid, a late payment charge equal to five percent (5%) of the amount of any such payment. If any payment of Base Rent or Additional Rent is not received by Landlord within ten (10) days of the applicable due date, Tenant shall pay to Landlord, as Additional Rent, in addition to the late charge described above, interest on the overdue amount to Landlord at the Interest Rate. Such overdue payment shall bear interest from the applicable due date, without regard to any grace period, until the date such payment is received by Landlord. Such payment shall be in addition to, and not in lieu of, any other remedy Landlord may have.

(f) **Security Deposit.** On execution of this Lease, Tenant shall deposit with Landlord an amount equal to two (2) months Base Rent (the "Security Deposit"), in cash or immediately available funds, as security for the performance of Tenant's obligations under this Lease. Landlord may (but shall have no obligation to) use the Security Deposit or any portion thereof to cure any Event of Default under this Lease or to compensate Landlord for any damage Landlord incurs as a result of Tenant's failure to perform any of Tenant's obligations hereunder. In such event Tenant shall immediately pay to Landlord an amount sufficient to replenish the Security Deposit to the sum initially deposited with Landlord. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return to Tenant the Security Deposit or the balance thereof then held by Landlord and not applied as provided above. Landlord may commingle the Security Deposit with Landlord's general and other funds, and Landlord shall not be required to pay interest on the Security Deposit. Tenant shall not assign or encumber the Security Deposit without the consent of Landlord; any attempt to do so shall be void and not binding on Landlord. If Landlord disposes of its interest in the Premises, Landlord shall deliver or credit the Security Deposit to Landlord's successor in interest and thereupon be relieved of all further responsibility with respect to the Security Deposit.

4. **TAXES.** Tenant agrees to pay all Real Estate Taxes during the Term of this Lease. Tenant shall pay the Real Estate Taxes directly to the applicable taxing authority on or before the applicable due date. Tenant shall also be responsible for and pay before fines or penalties are imposed all municipal, county, and State taxes assessed, levied or imposed during or attributable to the Term and all extensions thereof, upon its leasehold interest in the Premises and all of Tenant's Personal Property. Notwithstanding the foregoing, (a) Real Estate Taxes during the years in which the Commencement Date and Expiration Date occur shall be prorated on a per diem basis between Landlord and Tenant as of the Commencement Date or the Expiration Date, as the case may be, (b) Real Estate Taxes shall exclude any increases in taxes resulting from the sale of the Premises or any portion thereof, and (c) any special assessments shall be treated as though paid in installments over the longest period permitted by the taxing authority, and only those installments which would be payable during any year of the Term shall be paid for by Tenant. All of such Real Estate Taxes and such other fees, axes or assessments, as shall be levied on Tenant's Personal Property shall be paid by Tenant on or before the applicable due date. In the event that during the Term of this Lease (i) the Real Estate Taxes shall be reduced or eliminated, whether the cause thereof is a judicial determination of unconstitutionality, a change in the nature of the taxes imposed, or otherwise, and (ii) there is levied, assessed or otherwise imposed, in substitution for all or part of the tax thus reduced or eliminated, a tax (the "Substitute Tax") which imposes a burden upon Landlord by reason of its ownership of the Premises or its demise of the Premises to Tenant, then to the extent of such burden the Substitute Tax shall be deemed a Real Estate Tax for purposes of this paragraph. If Tenant has not paid the foregoing Real Estate Taxes or other amounts due hereunder within ten (10) days after the same are due without penalty, upon at least five (5) days' prior written notice to the Tenant, Landlord may pay such amount, and the amount so paid, together with interest thereon at the Interest Rate from the date of payment and all penalties actually incurred by Landlord in connection with said payment shall be Additional Rent hereunder and shall be payable by Tenant upon demand from Landlord as to such obligation. Tenant shall have the right by appropriate proceedings and with due diligence and dispatch to contest in good faith and at Tenant's own expense the validity or amount of any such Real Estate Taxes or other amounts, provided that no such contesting shall encumber or impair the Landlord's interest in the Premises or subject Landlord to liability. Upon the final determination of such contest by Tenant, Tenant shall immediately pay and satisfy the amount found to be due, together with any costs, penalties and interest. In the event that any payment by way of security is required as a condition precedent to the prosecution of any such proceedings, Tenant shall pay any such amount in the manner required.

5. **USE.** Tenant shall use the Premises only for the Permitted Use and shall not use the Premises for any other purposes. Tenant shall not use the Premises or permit the Premises to be used in violation of any Law, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits required for Tenant's use of the Premises for the Permitted Use and shall promptly take and pay for all actions necessary to comply with all Laws regulating the use or occupancy by Tenant of the Premises for the Permitted Use, including, without limitation, the OSHA, the ADA, the Act and any guidance or instruction of the Regulator. Without limiting the foregoing, it shall be a breach of Tenant's obligations under this Section if any decision, order or judgment (whether final or not) is entered that (a) determines that Tenant has violated any applicable Law in connection with its use or occupancy of the Premises, or (b) has the effect (whether by restraining order, injunction, declaration, or otherwise) of establishing that the Tenant's use of the Premises constitutes a violation of Law.

6. **HAZARDOUS MATERIALS.**

(a) **Tenant Operations.** Tenant will not cause in, on, or under the Premises, or suffer or permit to occur in, on, or under, the Premises any generation, use, manufacturing, refining, transportation, emission, release, treatment, storage, disposal, presence, or handling of Hazardous Materials not in compliance with all Environmental Laws. Should a release of any Hazardous Material occur at the Premises as a result of the acts or omissions of Tenant, or its employees, agents, suppliers, shippers, customers, contractors, or invitees, Tenant will immediately contain, remove from the Premises and/or properly dispose of such Hazardous Materials and any material contaminated by such release, and remedy and mitigate all threats to human health or the environment relating to such release, all in accordance with Environmental Laws.

(b) **Environmental Indemnification.** Tenant hereby agrees to indemnify, defend, save, and keep Landlord, and the Landlord Parties, harmless from and against any and all liabilities, obligations, charges, losses, damages, penalties, claims, actions, and expenses, including without limitation, engineers' and professional fees, soil tests, and chemical analysis, court costs, legal fees, and expenses through all trial, appellate, and administrative levels, imposed on, incurred by, or asserted against Landlord, in any way relating to, arising out of, or in connection with (a) the failure of the activities of any Tenant Parties to comply with an Environmental Laws, or (b) the use, handling, storage, transportation, or disposal of Hazardous Materials by Tenant or Tenant Parties in, on, or about the Premises. The foregoing indemnification will survive any assignment, expiration or termination of this Lease, provided that Tenant will have no obligation under this Section to indemnify Landlord for any failure of the Premises to comply with any Environmental Laws if such failure occurs after the termination of the Lease and is not caused by the negligence or willful misconduct of the Tenant.

7. **SERVICES AND UTILITIES.** Tenant agrees to pay all fees and charges for water, gas, heat, air conditioning and ventilation, electricity, power, lighting, trash, telephone, telecommunications, internet and all other services or utilities used in, upon, or about the Premises during the Term, as well as any related fees, assessments and surcharges incurred or made against the Premises on or before the same shall become due. Tenant will obtain service in its own name and pay all such fees and charges directly to the applicable utility providers. Subject to Section 8(c), Tenant, at its sole cost and expense, will have the right to introduce into the Premises such additional utilities as Tenant might require and Tenant will pay the cost of such additional utilities directly to the applicable utility companies. Notwithstanding anything to the contrary contained herein, Landlord will be liable to Tenant for any interruption or diminution of utility services to the Premises.

8. **MAINTENANCE, REPAIRS AND ALTERATIONS.**

(a) **Tenant's Obligations.** Except as provided in Section 8(b) or as may be necessary due to the active negligence or willful misconduct of Landlord or any Landlord Parties, during the Term, Tenant shall, at Tenant's sole cost and expense, keep and maintain (including replacements if necessary) the Premises, including, without limitation, every part of the Land, Building and Appurtenant Improvements, in a first class and good, clean, sanitary and orderly condition and repair. Without limiting the generality of the foregoing, Tenant shall (i) keep and maintain the parking areas, sidewalks and landscaping on the Premises clean and free of all debris and in good condition and repair, (ii) paint, varnish, wallpaper, or otherwise redecorate or renovate the interior of the Building and Tenant's Personal Property when necessary to maintain the Premises in a first class condition, (iii) enter into and maintain in full force and effect a preventive maintenance contract with a qualified contractor for all Building Systems, and Landlord may, at Landlord's option, contract for such services and Tenant shall pay to Landlord all costs or expenses incurred in connection with such contract(s) upon demand by Landlord, and (iv) arrange and pay for all utilities, janitorial services, trash and waste removal, window washing, light bulb replacement and all other services necessary to maintain the appearance, cleanliness and safety of the Premises in a first-class condition. Tenant will be obligated to perform any repair, replacement or other maintenance of the Premises that may become necessary during the Term and will promptly provide notice of the same to Landlord. All repairs made by or on behalf of Tenant shall be made and performed in accordance with all Laws. The costs of any Capital Repairs shall be amortized on a straight- line basis over the useful life thereof or the remaining Term of this Lease, whichever is longer, and Tenant's portion shall be payable by Tenant as Additional Rent in equal monthly installments beginning on the date which is thirty (30) days after Landlord has provided a written demand, accompanied by a paid invoice and reasonable supporting documentation therefor, and thereafter on the first (1st) day of each month during the remainder of the Term of this Lease, as applicable; provided, Tenant shall in no event be liable for any portion of the amortized cost of any Capital Repairs which extends beyond the expiration of the Term.

(b) **Landlord's Obligations.** Landlord will, at Landlord's sole cost and expense, maintain the Capital Infrastructure in good condition and repair. Tenant shall have no obligation to pay for any improvement, maintenance or repairs of Capital Infrastructure made by Landlord, except (i) as set forth in subsection (a) above, and (ii) Tenant shall reimburse Landlord for any costs or expenses incurred by Landlord in connection with the routine maintenance of the Capital Infrastructure, which Tenant shall reimburse upon Landlord's written demand, accompanied by a paid invoice and reasonable supporting documentation therefor. If Tenant becomes aware of any condition that is Landlord's responsibility to repair pursuant to this Lease, Tenant shall promptly notify Landlord of the condition. All repairs and replacements made by or on behalf of Landlord shall be made and performed in accordance with all applicable Laws.

(c) **Alterations.**

(i) Tenant shall not make any Alterations, improvements or changes to the Premises without Landlord's prior written consent. Landlord may withhold its consent to such Alterations in its sole discretion if the proposed Alterations would adversely affect the structure or safety of the Building or Appurtenant Improvements or if such proposed Alterations would create an obligation on Landlord's part to make any other modifications to the Premises; in all other circumstances, Landlord agrees not to unreasonably withhold or delay its consent to proposed Alterations. Any such Alterations shall be completed by Tenant at Tenant's sole cost and expense: (A) with due diligence, in a good and workmanlike manner, using new materials; (B) in compliance with plans and specifications approved by Landlord; (C) in accordance with all applicable Laws (including all work, whether structural or non- structural, inside or outside the Premises, required to comply fully with all applicable Laws and necessitated by Tenant's work); and (D) subject to all conditions which Landlord may in Landlord's reasonable discretion impose. Such conditions may include requirements for Tenant to: (X) provide payment or performance bonds or additional insurance (from Tenant or Tenant's contractors, subcontractors or design professionals); (Y) use contractors or subcontractors approved or designated by Landlord; and (Z) remove all or part of the Alterations, or any electrical, computer or telecommunications cabling or other cabling, prior to or upon expiration or termination of the Term, as designated by Landlord. Landlord's right to review and approve (or withhold approval of) Tenant's plans, drawings, specifications, contractor(s) and other aspects of construction work proposed by Tenant is intended solely to protect Landlord, the Premises and Landlord's interests. No approval or consent by Landlord shall be deemed or construed to be a representation or warranty by Landlord as to the adequacy, sufficiency, fitness or suitability thereof or compliance thereof with applicable Laws or other requirements. Except as otherwise provided in Landlord's consent, all Alterations shall upon installation become part of the realty and be the property of Landlord.

(ii) Notwithstanding subsection (i), Landlord's consent shall not be required for any Alteration that satisfies all of the following criteria (a "**Cosmetic Alteration**") (A) costs less than \$50,000.00, (B) is nonstructural and of a cosmetic nature such as painting, wallpapering, hanging pictures and installing carpeting, and (C) does not impact any of the Building Systems or Capital Infrastructure, and (iv) does not alter the exterior of the Building. However, even though consent is not required, Tenant shall provide Landlord prior written notice of any Cosmetic Alteration, and the performance of any Cosmetic Alteration shall be subject to all of the other provisions of this Section 8(c).

(iii) Before making any Alterations, Tenant shall submit to Landlord for Landlord's prior approval reasonably detailed final plans and specifications prepared by a licensed architect or engineer, a copy of the construction contract, including the name of the contractor and all subcontractors proposed by Tenant to make the Alterations and a copy of the contractor's license. Tenant shall reimburse Landlord upon demand for any expenses reasonably incurred by Landlord in connection with any Alterations made by Tenant, including reasonable fees charged by Landlord's contractors or consultants to review plans and specifications prepared by Tenant and to update the existing as-built plans and specifications of the Premises to reflect the Alterations. Tenant shall obtain all applicable permits, authorizations and governmental approvals and deliver copies of the same to Landlord before commencement of any Alterations.

(iv) Without limiting the generality of Section 9, Tenant shall keep the Premises free and clear of all liens arising out of any work performed, materials furnished or obligations incurred by Tenant. If any such lien attaches to the Premises, and Tenant does not cause the same to be released by payment, bonding or otherwise within ten (10) days after the attachment thereof, Landlord shall have the right but not the obligation to cause the same to be released, and any sums expended by Landlord in connection therewith shall be payable by Tenant on demand with interest thereon from the date of expenditure by Landlord at the Interest Rate. Tenant shall give Landlord at least ten (10) days' notice prior to the commencement of any Alterations and cooperate with Landlord in posting and maintaining notices of non-responsibility in connection therewith. IN ADDITION, AND NOTWITHSTANDING ANY TERM OR PROVISION OF THIS SECTION 8(c), TENANT SHALL NOT COMMENCE OR CONDUCT, OR ALLOW TO BE COMMENCED OR CONDUCTED, ANY ALTERATIONS OR OTHER WORK OF REPAIR OR REPLACEMENT AT ITS REQUEST OR AUTHORIZATION, OR ALLOW THE DELIVERY OF ANY MATERIALS IN CONNECTION THEREWITH, UNLESS AND UNTIL TENANT HAS COMPLIED WITH EACH AND EVERY TERM OF NEVADA REVISED STATUTES ("**NRS**") 108.2403, SUCH THAT LANDLORD ACHIEVES THE STATUS OF A "DISINTERESTED OWNER" AS DEFINED AND DESCRIBED IN NRS 108.234. THE FAILURE OF TENANT TO COMPLY WITH THE PROVISIONS OF NRS 108.2403 SHALL BE A MATERIAL DEFAULT OF THIS LEASE BY TENANT.

(v) Subject to the provisions of this Section, Tenant may install and maintain Personal Property in the Premises, provided that Tenant's Personal Property does not become an integral part of the Premises or Building. Tenant shall promptly repair any damage to the Premises or the Building caused by any installation or removal of such Personal Property or Tenant's Equipment.

(vi) Notwithstanding anything to the contrary in the Lease, in no event will Landlord take possession, custody or control of any regulated property or assets of Tenant that would require Landlord to be authorized to do so under the Act, unless Landlord is actually authorized to do so or, in the alternative, so appoints a third party designee or assignee (actually authorized and so confirmed by the Regulator) to enforce such rights hereunder.

(d) **Surrender.** On the expiration or termination of this Lease, Tenant will surrender the Premises to Landlord in at least the condition existing on the Commencement Date (as such condition may be altered by any Alterations), ordinary wear and tear and damage by casualty and condemnation excepted.

9. **LIENS.** Nothing contained in this Lease will authorize or empower Tenant to do any act which would in any way violate any Superior Instruments, or encumber Landlord's title to the Premises, nor in any way subject Landlord's title to any claims by way of lien or encumbrance whether claimed by operation of Law or by virtue of any expressed or implied contract of Tenant, and any claim to a lien upon the Premises arising from any act or omission of Tenant will attach only against Tenant's interest and will in all respects be subordinate to Landlord's title to the Premises. If Tenant has not removed or bonded over any such lien or encumbrance within ten (10) days after written notice to Tenant by Landlord, Landlord may, but will not be obligated to, pay the amount necessary to remove such lien or encumbrance, without being responsible for making any investigation as to the validity or accuracy thereof, and the amount so paid, together with all costs and expenses (including attorneys' fees) incurred by Landlord in connection therewith, will be deemed Additional Rent and due and payable by Tenant to Landlord upon demand. Notwithstanding the foregoing and without limiting Section 8(c), Tenant will take commercially reasonable steps to prevent any mechanic's lien from attaching to Landlord's title to the Premises, but in the event that despite Tenant's commercially reasonable steps to prevent it, a mechanic's lien does so attach, Tenant will remove or bond over the mechanic's lien within ten (10) days of receiving notice of such lien.

10. **ASSIGNMENT AND SUBLEASING.** Tenant will not cause or affect a Transfer without Landlord's prior written consent, which consent will not be unreasonably withheld, conditioned, or delayed. Any attempted Transfer without Landlord's prior written consent will be void. No Permitted Transfer or any Transfer permitted under this Lease, whether with or without Landlord's consent, will release Tenant or change Tenant's primary liability to pay Rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of Rent from any other person is not a waiver of any provision of this Lease. Consent by Landlord to one Transfer is not consent to any subsequent Transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent Transfers of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent and such action will not relieve Tenant's liability under this Lease.

11. **INSURANCE AND INDEMNIFICATION.**

(a) **Tenant's Insurance.** Tenant will, during the Term, maintain Tenant's Required Insurance.

(b) **Landlord's Insurance.** Landlord may maintain such policies of insurance, with such coverages and in such amounts, on the Premises as Landlord elects in its sole discretion, which policies shall be subordinate and noncontributory to any of Tenant's Required Insurance.

(c) **Indemnity.** Except for the active negligence and intentional misconduct of any Landlord Parties and the specific obligations of Landlord under this Lease, Tenant will indemnify and hold harmless all Landlord Parties from and against any and all damages, losses, claims, costs or expenses arising from Tenant's use of the Premises, or from the conduct of Tenant's business or from any activity, work, or things done, permitted, or suffered by Tenant in, on, or about the Premises, and shall further indemnify and hold harmless all Landlord Parties from and against any and all damages, losses, claims, costs or expenses arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or omission of Tenant, or any of Tenant's agents, contractors, or employees, and from and against all reasonable costs, attorney's fees, expenses, and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding is brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, will defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord.

(d) **Property Insurance - Waiver of Subrogation.** Landlord and Tenant each hereby waive any right of recovery against the other and the partners, members, shareholders, officers, directors and authorized representatives of the other for any loss or damage that is covered by any policy of property insurance maintained by either Party (or required by this Lease to be maintained) with respect to the Premises or any operation thereon. If any such policy of insurance relating to this Lease or to the Premises does not permit the foregoing waiver or if the coverage under any such policy would be invalidated as a result of such waiver, the Party maintaining such policy shall obtain from the insurer under such policy a waiver of all right of recovery by way of subrogation against either Party in connection with any claim, loss or damage covered by such policy.

(e) **Co-Insurer.** If, on account of the failure of Tenant to comply with this Section 11 or Tenant's Required Insurance, Landlord is adjudged a co-insurer by its insurance carrier, then, any loss or damage Landlord shall sustain by reason thereof, including attorneys' fees and costs, shall be borne by Tenant and shall be immediately paid by Tenant upon demand.

12. **DAMAGE AND DESTRUCTION.**

(a) **Landlord's Duty to Repair.**

(i) If all or a substantial part of the Premises rendered untenantable or inaccessible by damage to all or any part of the Premises from fire or other casualty then, unless either Party is entitled to and elects to terminate this Lease pursuant to Sections 12(b) or 12(c), Landlord shall, at its expense, use reasonable efforts to repair and restore the Premises, as the case may be, to substantially their former condition to the extent permitted by then applicable Laws; provided, however, that in no event shall Landlord have any obligation for repair or restoration beyond the extent of insurance proceeds received by Landlord for such repair or restoration, or for any of Tenant's Equipment, Personal Property or Alterations.

(ii) If Landlord is required or elects to repair damage to the Premises, this Lease shall continue in effect, but Tenant's Base Rent from the date of the casualty through the date of substantial completion of the repair shall be abated with regard to any portion of the Premises that Tenant is prevented from using by reason of such damage or its repair. In no event shall Landlord be liable to Tenant by reason of any injury to or interference with Tenant's business or property arising from fire or other casualty or by reason of any repairs to any part of the Premises necessitated by such casualty.

(b) **Landlord's Right to Terminate.** Landlord may elect to terminate this Lease following damage by fire or other casualty under the following circumstances: (i) if, in the reasonable judgment of Landlord, the Premises cannot be substantially repaired and restored under applicable Laws within one (1) year from the date of the casualty; (ii) if, in the reasonable judgment of Landlord, adequate proceeds are not, for any reason, made available to Landlord from Tenant's Required Insurance or Landlord's insurance policies (and/or from Landlord's funds made available for such purpose, at Landlord's sole option) to make the required repairs; (iii) if the Premises is damaged or destroyed to the extent that, in the reasonable judgment of Landlord, the cost to repair and restore the Premises would exceed fifty percent (50%) of the full replacement cost of the Premises; or (iv) if the fire or other casualty occurs during the last year of the Term. If any of the circumstances described in above occur or arise, Landlord shall notify Tenant in writing of that fact within one hundred and twenty (120) days after the date of the casualty and in such notice Landlord shall also advise Tenant whether Landlord has elected to terminate this Lease as provided above.

(c) **Tenant's Right to Terminate.** If all or a substantial part of the Premises are rendered untenantable or inaccessible by damage to all or any part of the Premises from fire or other casualty, then Tenant may elect to terminate this Lease under the following circumstances: (i) where Landlord fails to commence the required repair within one hundred and twenty (120) days after the date of the casualty, in which event Tenant may elect to terminate this Lease upon notice to Landlord given within ten (10) days after such one hundred and twenty (120)-day period; or (ii) in the circumstance described in Section 12(b)(i) above, in which event Tenant may elect to terminate this Lease by giving Landlord notice of such election to terminate within thirty (30) days after Landlord's notice to Tenant pursuant to Section 12(b).

13. **CONDEMNATION.**

(a) **Definitions.** (a) "Award" shall mean all compensation, sums, or anything of value awarded, paid or received on a total or partial Condemnation. (b) "Condemnation" shall mean (i) a permanent taking (or a temporary taking for a period extending beyond the end of the Term) pursuant to the exercise of the power of condemnation or eminent domain by any public or quasi-public authority, private corporation or individual having such power ("Condemnor"), whether by legal proceedings or otherwise, or (ii) a voluntary sale or transfer by Landlord to any such authority, either under threat of condemnation or while legal proceedings for condemnation are pending. (c) "Date of Condemnation" shall mean the earlier of the date that title to the property taken is vested in the Condemnor or the date the Condemnor has the right to possession of the property being condemned.

(b) **Effect on Lease.** If the Premises are totally taken by Condemnation, this Lease shall terminate as of the Date of Condemnation. If a portion but not all of the Premises is taken by Condemnation, this Lease shall remain in effect; provided, however, that if the portion of the Premises remaining after the Condemnation will be unsuitable for Tenant's continued use, then upon notice to Landlord within thirty (30) days after Landlord notifies Tenant of the Condemnation, Tenant may terminate this Lease effective as of the Date of Condemnation. If twenty-five percent (25%) or more of the Land or of the floor area in the Building is taken by Condemnation, or if as a result of any Condemnation the Premises is no longer reasonably suitable for the Permitted Use, Landlord may elect to terminate this Lease, effective as of the Date of Condemnation, by notice to Tenant within thirty (30) days after the Date of Condemnation. If all or a portion of the Premises is temporarily taken by a Condemnor for a period not extending beyond the end of the Term, this Lease shall remain in full force and effect.

(c) **Restoration.** If this Lease is not terminated as provided in Section 13(b), Landlord, at its expense, shall diligently proceed to repair and restore the Premises to substantially its former condition (to the extent permitted by then applicable Laws) and/or repair and restore the Building to an architecturally complete retail building; provided, however, that Landlord's obligations to so repair and restore shall be limited to the amount of any Award received by Landlord and not required to be paid to any lender of Landlord. In no event shall Landlord have any obligation to repair or replace any improvements in the Premises beyond the amount of any Award received by Landlord for such repair or to repair or replace any of Tenant's Equipment, Personal Property or Alterations.

(d) **Abatement and Reduction of Rent.** If any portion of the Premises is taken in a Condemnation or is rendered permanently untenable by repairs necessitated by the Condemnation, and this Lease is not terminated, the Base Rent payable under this Lease shall be proportionally reduced as of the Date of Condemnation based upon the percentage of square feet in the Premises so taken or rendered permanently untenable. In addition, if this Lease remains in effect following a Condemnation and Landlord proceeds to repair and restore the Premises, the Base Rent payable under this Lease shall be abated during the period of such repair or restoration to the extent such repairs prevent Tenant's use of the Premises.

(e) **Awards.** Any Award made shall be paid to Landlord, and Tenant hereby assigns to Landlord, and waives all interest in or claim to, any such Award, including any claim for the value of the unexpired Term; provided, however, that Tenant shall be entitled to receive, or to prosecute a separate claim for, an Award for a temporary taking of the Premises or a portion thereof by a Condemnor where this Lease is not terminated (to the extent such Award relates to the unexpired Term), or an Award or portion thereof separately designated for relocation expenses or the interruption of or damage to Tenant's business or as compensation for Tenant's personal property, Trade Fixtures or Alterations.

14. **DEFAULTS AND REMEDIES.**

(a) **Events of Default.** Tenant will be in material default under this Lease if any one or more of the following events (each, an "Event of Default" and collectively "Events of Default") occurs and is not be timely remedied as herein provided:

(i) If Tenant fails to make any payment of Base Rent due under this Lease or any part thereof when and as the same will become due and payable; provided that Landlord will have first given Tenant five (5) Business Days' prior written notice and opportunity to cure the same, with no cure having been made within such five (5) Business Day period. Notwithstanding the foregoing, after receiving two (2) such written notices within a twelve (12) month period, Tenant's third (3rd) failure or any failure thereafter to pay Base Rent within the same twelve (12) month period will not be entitled to receive any notice thereof before an Event of Default exists hereunder.

(ii) If Tenant fails to make any payment of Additional Rent or any other sum or charge payable under this Lease (other than Base Rent) when and as the same shall become due and payable and such default continues for a period of ten (10) days after receipt by Tenant of written notice from Landlord specifying the default.

(iii) If Tenant fails to observe or perform of any of the other covenants, agreements, or conditions of this Lease on the part of Tenant to be kept and performed and such default continues for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that with respect to any default (other than a default which can be cured by the payment of money) that cannot be reasonably cured within said thirty (30) day period, Tenant shall have an additional reasonable period of time to cure such default, provided that Tenant commences to cure within said thirty (30) days, Tenant is using commercially reasonable efforts to cure the default and Tenant actually cures the default within one hundred twenty (120) days after Landlord's notice.

(iv) If Tenant files a petition in bankruptcy or is adjudicated as bankrupt, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief for itself under any present or future Law, or makes an assignment for the benefit of creditors, or if any trustee, receiver, or liquidator of Tenant or of all or any substantial part of its properties or of the Premises shall be appointed in any action, suit, or proceeding by or against Tenant and such proceeding or action is not dismissed within ninety (90) days after such filing or appointment.

(b) **Remedies.** Upon the occurrence of an Event of Default, Landlord shall have the following remedies, which shall not be exclusive but shall be cumulative and shall be in addition to any other remedies now or hereafter allowed hereunder, at law, in equity or otherwise:

(i) Landlord may terminate this Lease, in which case Tenant shall immediately surrender the Premises to Landlord. If Tenant fails to surrender the Premises, Landlord, in compliance with Law, may enter upon and take possession of the Premises and remove Tenant, Tenant's Equipment and Personal Property and any Party occupying the Premises. Tenant shall pay Landlord, on demand, all past due Rent and all other losses and damages Landlord suffers as a result of such Event of Default, including, without limitation, all Costs of Reletting (defined below) and any deficiency that may arise from reletting or the failure to relet the Premises. "Costs of Reletting" shall include all reasonable costs and expenses incurred by Landlord in reletting or attempting to relet the Premises, including, without limitation, legal fees, brokerage commissions, the cost of alterations or tenant improvements and the value of other concessions, free rent and work allowances granted to a new tenant.

(ii) Landlord may terminate Tenant's right to possession of the Premises at any time by written notice to Tenant, and, in compliance with Law, remove Tenant, Tenant's Equipment and Personal Property and any parties occupying the Premises. Tenant expressly acknowledges that in the absence of such written notice from Landlord, no other act of Landlord (including, without limitation, any re-entry or taking of possession of the Premises), shall constitute an acceptance of Tenant's surrender of the Premises or constitute a termination of this Lease or of Tenant's right to possession of the Premises. Landlord may (but shall not be obligated to) relet all or any part of the Premises, without notice to Tenant, for such period of time and on such terms and conditions (which may include concessions, free rent and work allowances) as Landlord in its absolute discretion shall determine. Landlord may collect and receive all rents and other income from the reletting. Tenant shall pay Landlord on demand all past due Rent, all Costs of Reletting and any deficiency arising from the reletting or failure to relet the Premises.

(iii) Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due.

(c) In lieu of calculating damages under Section 14(b) above, Landlord may elect to receive as liquidated damages the sum of (i) all Rent accrued through the date of termination of this Lease or Tenant's right to possession, along with all other amounts then due hereunder, and (ii) an amount equal to the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at the Interest Rate, minus the then present fair rental value of the Premises for the remainder of the Term, similarly discounted, after deducting all anticipated Costs of Reletting and any other amounts necessary to compensate Landlord for costs or expenses incurred as a result of, or damages proximately caused by, Tenant's failure to perform its obligations under this Lease.

(d) In the event of an Event of Default resulting from Tenant's failure to perform a non-monetary obligation hereunder, Landlord shall have the right, but not the obligation, to perform such obligation of Tenant. Tenant shall reimburse Landlord for the cost of such performance upon demand together with an administrative fee equal to ten percent (10%) of the cost thereof.

(e) All of Landlord's rights, privileges and elections or remedies, whether hereunder, at law, in equity or otherwise, are cumulative and not alternative. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent.

15. **NOTICES.** Any and all notices, requests, demands or other communications hereunder shall be deemed to have been duly given if in writing and if transmitted by hand delivery with receipt therefor, by e-mail delivery, by overnight courier, or by registered or certified mail, return receipt requested, first class postage prepaid addressed as follows (or to such new address as the addressee of such a communication may have notified the sender thereof) (the date of such notice shall be the date of actual delivery to the recipient thereof):

To Landlord: Deep Roots Harvest, Inc.
 195 Willis Carrier Canyon
 Mesquite, Nevada 89027
 Attention: Keith Capurro
 Email: keith@deeprrootsharvest.com

With a copy to (which shall not constitute notice):

 McDonald Carano LLP
 100 West Liberty Street, Tenth Floor
 Reno, NV 89501
 Attention: Brian S. Pick
 Email: bpick@mcdonaldcarano.com

To Tenant: Silver State Relief, LLC
 175 E. Greg Street
 Sparks, Nevada 89431
 Attention: Sonny Newman
 Email: sneyman@eetechinc.com

With a copy to (which shall not constitute notice):

 Flynn Giudici, PLLC
 708 University Way,
 Reno, Nevada 89501
 Attn: Daniel Giudici
 Email: Daniel@flynnjudici.com

16. **MISCELLANEOUS.**

(a) **Brokers.** Tenant and Landlord each represent and warrant to the other that there are no brokers, agents, finders, or other Parties with whom either Party has dealt who are or may be entitled to any commission or fee with respect to this Lease or the Premises. Landlord and Tenant each agree to indemnify and hold the other and the other's officers, directors, persons, agents, and representatives harmless from and against any and all liabilities, damages, claims, costs, fees, and expenses whatsoever (including, without limitation, reasonable attorneys' fees and costs at all trial and appellate levels) resulting from any other broker, agent, or other person claiming a commission or other form of compensation by virtue of having dealt with the indemnifying Party with regard to this leasing transaction. The provisions of this Section will survive the expiration or other termination of this Lease.

(b) **Quiet Enjoyment.** Landlord agrees that Tenant, on paying the Rent and other payments required by this Lease and on keeping, observing, and performing all of the other terms, covenants, conditions, provisions, and agreements contained in this Lease on the part of Tenant to be kept, observed, and performed, will, during the Term of this Lease, peaceably and quietly have, hold, and enjoy the Premises subject to the terms, covenants, conditions, provisions, and agreements of this Lease, free from hindrance by Landlord or any other person claiming by, through, or under Landlord.

(c) **Holding Over.** Any holding over by Tenant after the expiration or termination of this Lease, by lapse of time or otherwise, will not operate to extend or renew this Lease except by the express mutual written agreement between Landlord and Tenant, and in the absence of such agreement, Tenant will continue in possession as a month-to-month tenant only, except that the monthly Base Rent will be increased to an amount equal to one hundred twenty-five percent (125%) of the monthly installment of Base Rent paid in the month immediately preceding the expiration or termination of this Lease. Notwithstanding the foregoing, nothing in this Section will be deemed to give Tenant a right to possession of the Premises after the expiration or earlier termination of this Lease, nor will it serve as a waiver of any Event of Default relating to Tenant's failure to vacate the Premises.

(d) **Governing Law; Venue.**

(i) The Laws of the State will govern the validity, performance, and enforcement of this Lease. Tenant consents to personal jurisdiction and venue in the State. The courts of the State will have exclusive jurisdiction and Tenant hereby agrees to such exclusive jurisdiction.

(ii) Notwithstanding anything in this Lease to the contrary:

(1) The Parties hereto agree and acknowledge that no Party makes, will make, or shall be deemed to make or have made any representation or warranty of any kind regarding the compliance of this Lease with any Federal Cannabis Laws; and

(2) No Party hereto shall have any right of rescission or amendment arising out of or relating to any non-compliance with Federal Cannabis Laws unless such non-compliance also constitutes a violation of applicable State law as determined in accordance with the Act or by the Regulator, and no Party shall seek to enforce the provisions hereof in federal court unless and until the Parties have reasonably determined that the Act is fully compliant with Federal Cannabis Laws.

(e) **Prevailing Party.** Should either Party employ an attorney to enforce any of the provisions hereof, the non-prevailing Party in any final judgment agrees to pay the other Party's reasonable expenses, including reasonable attorneys' fees and expenses in or out of litigation and, if in litigation, trial, appellate, bankruptcy or other proceedings, expended or incurred in connection therewith, as determined by a court of competent jurisdiction.

(f) **Entire Agreement; Waivers.** This Lease forms the entire agreement between Landlord and Tenant and no provision hereof will be altered, waived, amended, or extended, except in a writing signed by both Parties. Tenant affirms that, except as expressly set forth herein, neither Landlord nor any of its agents have made, nor has Tenant relied upon, any representation, warranty, or promise with respect to the Premises or any part thereof. Landlord will not be considered to have waived any of the rights, covenants, or conditions of this Lease unless evidenced by its written waiver and the waiver of one default or right will not constitute the waiver of any other. Landlord's acceptance of any payments of Rent due under this Lease shall not be deemed a waiver of any default by Tenant under this Lease (including Tenant's recurrent failure to timely pay Rent) other than Tenant's nonpayment of the accepted sums, and no endorsement or statement on any check or accompanying any check or payment shall be deemed an accord and satisfaction. Landlord's or Tenant's consent to or approval of any act by Tenant requiring Landlord's or Tenant's consent or approval shall not be deemed to waive or render unnecessary Landlord's or Tenant's consent to or approval of any subsequent act.

(g) **Successors.** The provisions of this Lease will be binding upon and inure to the benefit of Landlord and Tenant, respectively, and their respective successors, assigns, heirs, executors, and administrators. Tenant agrees to become the tenant of Landlord's successor in interest under the same terms and conditions of its tenancy hereunder.

(h) **Partial Invalidity.** If any clause or provision of this Lease is found to be illegal, invalid, or unenforceable under present or future laws, the remainder of this Lease will not be affected thereby and there will be added as part of this Lease a replacement clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and still be legal, valid, and enforceable.

(i) **Relationship of the Parties.** Landlord and Tenant agree that the relationship between them is that of landlord and tenant and that Landlord is leasing space to Tenant. It is not the intention of the Parties, nor will anything herein be constructed to constitute Landlord as a partner or joint venturer with Tenant, or as a "warehouseman" or a "bailee."

(j) **Headings.** The headings as to the contents of particular paragraphs herein are intended only for convenience and are in no way to be constructed as a part of this Lease or as a limitation of the scope of the particular paragraphs to which they refer.

(k) **Survival of Obligations.** All obligations of Tenant or Landlord hereunder not fully performed as of the expiration or earlier termination of the Term of this Lease shall survive the expiration or earlier termination of the Term hereof.

(l) **Authority.**

(i) Tenant makes the following representations to Landlord, on which Landlord is entitled to rely in executing this Lease: (i) Tenant is a limited liability company duly organized and existing under the laws of the jurisdiction in which it was organized, and is qualified to do business in the State and has the power to enter into this Lease and the transactions contemplated hereby and to perform its obligations hereunder; (ii) by proper resolution the signatory hereto has been duly authorized to execute and deliver this Lease; and (iii) the execution, delivery, and performance of this Lease and the consummation of the transactions herein contemplated will not conflict with or result in a violation or breach of, or default under Tenant's organizational or governing documents, as amended, or any indenture, mortgage, note, security agreement, or other agreement or instrument to which Tenant is a Party or by which it is bound or to which any of its properties is subject.

(ii) Landlord makes the following representations to Tenant, on which Tenant is entitled to rely in executing this Lease: (i) Landlord is a limited liability company duly organized and existing under the laws of the jurisdiction in which it was organized, and has the power to enter into this Lease and the transactions contemplated hereby and to perform its obligations hereunder; (ii) by proper resolution the signatory hereto has been duly authorized to execute and deliver this Lease; and (iii) the execution, delivery, and performance of this Lease and the consummation of the transactions herein contemplated will not conflict with or result in a violation or breach of, or default under Landlord's organizational or governing documents, as amended, or any indenture, mortgage, note, security agreement, or other agreement or instrument to which Landlord is a Party or by which it is bound or to which any of its properties is subject.

(m) **Waiver of Jury Trial.** LANDLORD AND TENANT KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING BROUGHT BY EITHER PARTY AGAINST THE OTHER IN ANY MATTER ARISING OUT OF THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE.

(n) **Tenant's Equipment.** Tenant's Equipment will not be deemed a fixture of the Premises and will be and remain Personal Property of Tenant or any applicable Third Party. Tenant or any Third Party will have the right to remove Tenant's Equipment from the Premises from time to time; provided, however, that if such removal damages the Premises, Tenant will repair the damage and place the Premises in the same condition as it would have been if such equipment had not been installed. Landlord hereby waives its rights, statutory or otherwise, to any lien on Tenant's Equipment. Landlord will, upon request of Tenant or any Third Party, execute, or cause to be executed, a commercially reasonable waiver of landlord's lien or mortgagee's lien on any of Tenant's Equipment.

(o) **Counterparts.** This Lease may be executed in any number of counterparts (including digital counterparts), each of which when so executed and delivered shall be deemed an original for all purposes, and all such counterparts shall together constitute but one and the same instrument.

(p) **Force Majeure.** If Landlord is delayed, interrupted or prevented from performing any of its obligations under this Lease, and such delay, interruption or prevention is due to fire, act of God, epidemic, pandemic or state of emergency (whether or not declared), governmental act or failure to act, strikes, labor disputes, shortages or unavailability of materials, war, terrorist acts, civil disturbances, or any cause outside the reasonable control of Landlord, then the time for performance of the affected obligations of Landlord shall be extended for a period equivalent to the period of such delay, interruption or prevention.

(q) **Cannabis Law Compliance.** This Lease is subject to strict requirements for ongoing regulatory compliance by the Parties, including, without limitation, requirements that the Parties take no action in violation of either the Act or the guidance or instruction of the Regulator. The Parties acknowledge and understand that the Act and the requirements of the Regulator are subject to change and are evolving as the marketplace for State-compliant cannabis businesses continues to evolve. If necessary or commercially reasonable to comply with the requirements of the Act and/or the Regulator, the Parties agree to (and to cause their respective Affiliates and related Parties and representatives to) use their respective commercially reasonable efforts to take all actions reasonably requested to ensure compliance with the Act and the Regulator, including, without limitation, negotiating in good faith to amend, restate, amend and restate, supplement, or otherwise modify this Agreement to reflect terms that most closely approximate the Parties' original intentions but that are responsive to and compliant with the requirements of the Act and the Regulator. In furtherance, not limitation of the foregoing, the Parties further agree to cooperate with the Regulator to promptly respond to any informational requests, supplemental disclosure requirements, or other correspondence from the Regulator and, to the extent permitted by the Regulator, keep all other Parties fully and promptly informed as to any such requests, requirements, or correspondence, including, but not limited to, delivering a copy of any correspondence received from the Regulator to the other Party within three (3) Business Days of receipt.

17. **Option to Extend.**

(a) **Conditions to Exercise of Option.** Provided that (i) no Event of Default has occurred under this Lease at the time of exercise of the Extension Option or at the commencement of the Extension Term, (ii) Tenant's financial condition at the time of exercise of the Extension Option is demonstrated by Tenant to Landlord to be no less than that at the Commencement Date, and (iii) Tenant is occupying at the time of exercise of the Extension Option and at the commencement of the Extension Term, and Tenant acknowledges in writing its good faith intention to occupy for the entirety of the Extended Term, the entirety of the Premises, Tenant shall have a right to extend the Term of this Lease (the "Extension Option") for two (2) additional periods of seven (7) years each (each, an "Extension Term") commencing upon the expiration of the initial Term of this Lease. In the event that Landlord has given to Tenant two or more notices of an Event of Default or two or more late payment charges have become payable under this Lease during the initial Term, Tenant shall not have the right to exercise the Extension Option. The conditions to the exercise by Tenant of the Extension Option and the conditions which may terminate Tenant's right to exercise the Extension Option as set forth in this Section, are solely for the benefit of Landlord, and any such conditions may be affirmatively waived by Landlord in writing.

(b) **Notice of Exercise.** If Tenant elects to extend this Lease for an Extension Term, Tenant shall give written notice (the "Exercise Notice") of its exercise to Landlord not earlier than 365 days prior to the expiration of the initial Term, or the then-applicable Extension Term, and not less than 270 days prior to the expiration of the initial Term, or the then-applicable Extension Term. Such Exercise Notice shall be accompanied by financial statements of Tenant covering the immediately preceding fiscal year of Tenant, which shall be audited or reviewed by a certified public accountant, and covering fiscal year-to-date, which may be internally prepared by Tenant in accordance with the accounting practices and procedures used in the audited or reviewed annual financial statements. Tenant's failure to provide the Exercise Notice complying with the preceding requirements shall be deemed a waiver of Tenant's rights to extend the Term of this Lease.

(c) **Terms of Extension Term.** The giving of an Exercise Notice shall constitute an irrevocable election by Tenant to extend this Lease upon the terms, covenants, and conditions set forth herein. The terms, covenants, and conditions applicable to the Extension Term shall be the same terms, covenants, and conditions as set forth in this Lease, except that (i) Tenant shall not be entitled to any further option to extend after the Extension Term; (ii) the Base Rent for the Extension Term shall be adjusted as provided in this Section; and (iii) no provisions relating to the initial delivery of the Premises to Tenant (including, without limitation, any Landlord construction obligations or tenant improvement allowance provisions) shall be applicable to the Extension Term.

(d) **Extension Option Personal; Subordination.** The Extension Option granted to Tenant pursuant to this Section is personal to Tenant originally named in this Lease and shall not be assignable to any successor or assign of Tenant other than a Permitted Transferee, and shall terminate at the option of Landlord, if, at any time during the initial Term of this Lease, Tenant shall Transfer any portion of the Premises to any other party, other than a Permitted Transferee.

(e) **Determination of Base Rent During Extension Term.**

(i) **Extension Term Initial Base Rent.** The initial Base Rent during the first year of each Extension Term shall be equal to the greater of (i) the Fair Market Rental Value (as defined below) of the Premises for the first year of the Extension Term determined as provided herein, or (ii) the Base Rent for the last month of the initial Term, or the then-applicable Extension Term, increased by an amount equal to the then-current Base Rent multiplied by the percentage increase, if any, of the Consumer Price Index for All Urban Consumers, All Items, for the San Francisco-Oakland-Hayward Area over the prior twelve (12) month period of the initial Term, or the then applicable Extension Term (as so determined pursuant to clause (i) or (ii) above, the "**Extension Term Initial Base Rent**"). The Extension Term Initial Base Rent as so determined shall be subject to annual adjustments in accordance with the increases assumed in the determination of the Fair Market Rental Value.

(ii) **Fair Market Rental Value.** "**Fair Market Rental Value**" as used herein shall mean the fair market rental rate per square foot of the Building that would be agreed upon between a landlord and a tenant entering into a new lease for space comparable as to location, configuration, view and elevator exposure, of comparable size and use in a comparable building with comparable services as to location, quality and reputation, of comparable age with a comparable build-out and a comparable term in the Damonte Ranch and South Meadows submarkets in Reno, Nevada, assuming the following: (A) landlord and tenant are dealing with each other in an arm's- length transaction; (B) landlord and tenant are informed and well-advised and each is acting in what it considers its own best interest; and (C) landlord allowances, free rent periods or any other special concessions (for example, design fees, moving allowances, refurbishing allowances, commissions, etc.) will not be provided to the tenant except to the extent that such allowances or concessions are reflected in the fair market rental rates then being quoted, in which event the Fair Market Rental Value shall be reduced by the economic equivalent of the allowances or concessions not offered to the tenant.

(f) **Landlord and Tenant Seek to Agree.** Within thirty (30) days after receipt of Tenant's Exercise Notice, Landlord shall advise Tenant of the Extension Term Initial Base Rent. Tenant, within 15 days after the date on which Landlord advises Tenant of the Extension Term Initial Base Rent, shall either (i) give Landlord written notice, which shall be final and binding on Tenant (the "**Acceptance Notice**") of Tenant's exercise of the Extension Option, or (ii) if Tenant disagrees with Landlord's determination of the Extension Term Initial Base Rent, provide Landlord with written notice of rejection (the "**Rejection Notice**"). If Tenant fails to provide Landlord with either an Acceptance Notice or a Rejection Notice within such fifteen (15) day period, Tenant's Extension Option shall be null and void and of no further force or effect. If Tenant provides Landlord with an Acceptance Notice, Landlord and Tenant shall enter into the Extension Amendment (defined below) upon the term and conditions set forth herein. If Tenant provides Landlord with a Rejection Notice Landlord and Tenant shall work together in good faith to agree upon the Fair Market Rental Value for the Premises during the first year of the Extension Term. Upon agreement, Tenant shall provide Landlord with an Acceptance Notice and Landlord and Tenant shall enter into an Extension Amendment in accordance with the terms and conditions hereof. Notwithstanding the foregoing, if Landlord and Tenant are unable to agree upon the Fair Market Rental Value within ten (10) days after the date upon which Tenant provides Landlord with a Rejection Notice, Landlord and Tenant, within five (5) days after such date, shall each simultaneously submit to the other, in a sealed envelope, its good faith estimate of the Fair Market Rental Value for the Premises during the Extension Term (together, the "**Estimates**"). If the higher of such Estimates is not more than one hundred and five percent (105%) of the lower of such Estimates, then the Fair Market Rental Value shall be the average of the two Estimates. If the Fair Market Rental Value is not established by the exchange of Estimates, then, within seven (7) days after the exchange of Estimates, Landlord and Tenant shall each select a commercial real estate broker specializing in office space to determine which of the two Estimates most closely reflects the Fair Market Rental Value for the Premises during the Extension Term. Each broker so selected shall have had at least ten (10) years experience within the previous fifteen (15) years as a real estate broker working in Reno, Nevada, with working knowledge of current rental rates and practices. Upon selection, Landlord's and Tenant's brokers shall work together in good faith to agree upon which of the two Estimates most closely reflects the Fair Market Rental Value for the Premises. The Estimate chosen, or agreement on the Fair Market Rental Value, by such brokers shall be binding on both Landlord and Tenant. If either Landlord or Tenant fails to appoint a broker within the seven (7) day period referred to above, the broker appointed by the other party shall be the sole broker for the purposes hereof. If the two brokers cannot agree upon which of the two Estimates most closely reflects the Fair Market Rental Value within twenty (20) days after their appointment, then, within ten (10) days after the expiration of such twenty (20) day period, the two brokers shall select a third broker meeting the aforementioned criteria. Once the third broker (i.e., the arbitrator) has been selected as provided for above, then, as soon thereafter as practicable but in any case within fourteen (14) days, the arbitrator shall make his or her determination of which of the two Estimates most closely reflects the Fair Market Rental Value and such Estimate shall be binding on both Landlord and Tenant as the Fair Market Rental Value for the Premises. The parties shall share equally in the costs of the arbitrator. Any fees of any broker, counsel or experts engaged directly by Landlord or Tenant, however, shall be borne by the party retaining such broker, counsel or expert.

(g) **Extension Amendment.** If Tenant is entitled to and properly exercises its Extension Option, Landlord shall prepare an amendment (the "**Extension Amendment**") to reflect changes in the Base Rent, Term, Expiration Date, and other appropriate terms. Tenant shall execute and return the Extension Amendment to Landlord within fifteen (15) days after Tenant's receipt of same, but, upon final determination of the Fair Market Rental Value applicable during the initial year of an Extension Term as described herein, an otherwise valid exercise of the Extension Option shall be fully effective whether or not the Extension Amendment is executed.

[Signatures appear on following page]

IN WITNESS WHEREOF, the Parties have executed this Lease Agreement as of the Effective Date.

LANDLORD:

DRN HOLDINGS, LLC,
a Nevada limited liability company

By: _____
Print: _____
Title: _____

TENANT:

Silver State Relief, LLC,
a Nevada limited liability company

By: _____
Print: _____
Title: _____

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

12240 Old Virginia Road, Reno, Nevada 89521

EXHIBIT B

BASE RENT EXHIBIT

"Base Rent" means an amount calculated as follows:

Month of Term	Annual Base Rent	Monthly Base Rent
Months 1-12	\$171,600	\$14,300.00
Months 13-24	\$176,748.00	\$14,729.00
Months 25-36	\$182,050.44	\$15,170.87
Months 37-48	\$187,511.95	\$15,626.00
Months 49-60	\$193,137.31	\$16,094.78
Months 61-72	\$198,931.43	\$16,577.62
Months 73-84	\$204,899.37	\$17,074.95
Months 85-96	\$211,046.36	\$17,587.20
Months 97-108	\$217,377.75	\$18,114.81
Months 109-120	\$223,899.08	\$18,658.26

CERTIFICATION REQUIRED BY RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Sonny Newman, certify that:

1. I have reviewed this annual report on Form 20-F of C21 Investments Inc. (the "Issuer");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Issuer as of, and for, the periods presented in this report;
4. The Issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Issuer's internal control over financial reporting.
5. The Issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Issuer's auditor and the audit committee of the Issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Issuer's internal control over financial reporting.

Date: July 24, 2024

By: /s/ Sonny Newman
Sonny Newman
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION REQUIRED BY RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Michael Kidd, certify that:

1. I have reviewed this annual report on Form 20-F of C21 Investments Inc. (the "Issuer");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Issuer as of, and for, the periods presented in this report;
4. The Issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Issuer's internal control over financial reporting.
5. The Issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Issuer's auditor and the audit committee of the Issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Issuer's internal control over financial reporting.

Date: July 24, 2024

By: /s/ Michael Kidd
Michael Kidd
Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of C21 Investments Inc. (the "Company") on Form 20-F for the period ended January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sonny Newman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 24, 2024

/s/ Sonny Newman

Sonny Newman
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to C21 Investments Inc. and will be retained by C21 Investments Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of C21 Investments Inc. (the "Company") on Form 20-F for the period ended January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Kidd, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 24, 2024

/s/ Michael Kidd

Michael Kidd
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to C21 Investments Inc. and will be retained by C21 Investments Inc. and furnished to the Securities and Exchange Commission or its staff upon request.



C21 INVESTMENTS INC.

Management's Discussion and Analysis

For the Year Ended **January 31, 2024**

(Expressed in U.S. Dollars)

GENERAL

C21 Investments Inc. (the "**Company**", "**C21**", "**we**", "**us**", "**it**" and "**our**") was incorporated in the Province of British Columbia under the *Company Act* (British Columbia) on January 15, 1987 as Empire Creek Mines Inc. On May 11, 1987, the Company changed its name to Curlew Lake Resources Inc. Effective November 24, 2017, the Company changed its name to C21 Investments Inc. On June 15, 2018, the Company's common shares (the "**Common Shares**") were delisted from the TSX Venture Exchange and on June 18, 2018, the Common Shares commenced trading on the Canadian Securities Exchange ("**CSE**") under the symbol CXXI. The Company registered its Common Shares in the United States ("**U.S.**") and on May 6, 2019, its Common Shares were cleared by the Financial Industry Regulatory Authority for trading on the OTC Markets platform under the U.S. trading symbol CXXIF. On August 23, 2019 the Company announced it had been approved for trading on the OTCQB Venture Market, and on September 28, 2020 the Company upgraded to trading on the OTCQX Best Market.

This Management's Discussion and Analysis ("**MD&A**") covers the operations of the Company for the year ended January 31, 2024. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended January 31, 2024. All inter-company balances and transactions have been eliminated upon consolidation. The Company's financial statements are prepared in accordance accounting principles generally accepted in the United States of America ("**GAAP**"). Financial information presented in this MD&A is presented in United States dollars ("**\$**" or "**US\$**"), unless otherwise indicated.

The Company's audited consolidated financial statements for the years ended January 31, 2024 and 2023, were authorized for issuance on July 19, 2024 by the Board.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com or the Company website at www.cxxi.ca.

DESCRIPTION OF BUSINESS

The Company is a vertically integrated cannabis company that cultivates, processes, distributes and sells quality cannabis and hemp-derived consumer products in Nevada, U.S.A. The Company is focused on value creation through the disciplined acquisition and integration of core retail, manufacturing, and distribution assets in strategic markets, leveraging industry-leading retail revenues together with high-growth potential and multi-market branded consumer packaged goods ("**CPG**").

The Company focuses on scalable opportunities in key markets that take advantage of its core competencies, including: (i) retail operational excellence and expanding its retail footprint through value-add acquisitions in existing markets, and (ii) branded CPG expansion through both captive retail and wholesale channels. The Company focuses on acquiring businesses that provide immediate contribution to overall profitability, or have a path to profitability within twelve months, where it can leverage existing assets, brands, and domain expertise.

The Company currently holds licenses in Nevada spanning the entire cannabis supply chain. The Company presents its Oregon operations as 'held for sale' on the Balance Sheet and as 'discontinued operations' in the Income Statement.

The Company's management team has significant professional experience, including deep experience both within the cannabis industry and other fast-paced growth industries like technology and venture capital. Management also includes experts from more traditional industries like forestry, manufacturing, real estate, and capital markets.

Strategic Focus and Growth

Our operations in Reno, Nevada under the Silver State Relief brand continues its strong financial performance generating healthy cash flow and satisfied customers. Building around this strong core we have accomplished much since the beginning of the Company's fiscal year 2024:

- On June 26, 2024, the Company's third Silver State Relief retail dispensary opened in South Reno, Nevada.
- On June 7, 2024, the Company closed the acquisition of a cannabis dispensary in Reno, Nevada from Deep Roots Harvest. The Company acquired all the assets related to the operation of its 6,500 square foot, purpose-built, operational retail cannabis dispensary located in South Reno Nevada (the "South Reno Dispensary"). This acquisition will allow C21 to expand its retail footprint in Nevada, a pivotable step in its growth strategy. This store is being integrated and rebranded under the Silver State Relief banner. President and CEO of C21, Sonny Newman commented: "With the dispensary's desirable location in a high traffic, flourishing area of South Reno, we anticipate strong revenue growth from this acquisition, along with the added benefit of allowing us to expand the portion of our cultivation capacity sold through our retail channel."

- On May 6, 2024, the Company closed a private placement of C\$4 million from the issuance of convertible debentures units (the "May 2024 Private Placement"). The proceeds will be used to fund the acquisition of the South Reno Dispensary. The convertible debenture units are comprised of a "Convertible Debenture" convertible into common shares at C\$0.45, and a "Warrant" entitling the holder to exercise into common shares at C\$0.55. The maximum shares issuable from the Convertible Debenture is 8,888,889 common shares, and from the Warrant, 4,000,000 common shares. The outstanding principal amount owing under the Convertible Debenture will accrue interest from the issue date at 12% per annum payable quarterly in cash. Repayment of the Convertible Debenture will be made in 25 equal monthly installments beginning on the last day of the 6th month from issuance. The Convertible Debenture matures 30 months after issuance. See the news release and public filings of this issuance for further information.
- On March 15, 2024, the Company announced the acquisition of the South Reno Dispensary, subject to regulatory approval and May 2024 Private Placement, with proceeds of up to C\$4 million. See above and the Company news releases and public filings for further information.
- On September 7, 2023, the Company appointed Aron Swan as its Chief Operating Officer. C21 has established the COO role to support the Company's long-term growth objectives. Aron Swan has been the long-standing Head of Operations and was responsible for the build-out and expansion of C21's Nevada operations, including managing a team of more than 100 employees, developing strong vendor relationships, and ensuring rigorous compliance standards. He has been integral to Silver State Relief since its inception in 2015 and has been instrumental in running our business and managing our growth initiatives. Aron is leading our strategic growth objectives as we pursue expansion in our market.
- On June 1, 2023, the Company paid the final installment on the \$30 million secured promissory note owing to the Company's President and Chief Executive Officer (the "Newman Note"). The Company had been repaying this note at \$0.5 million per month (\$6.1 million per year).
- With the repayment of the Newman Note, the debt secured against the Company's assets held in Nevada has been fully discharged and the security and pledge agreements in connection with the debt were terminated.
- The repayment of the Newman Note enables the Company to pursue its strategic growth plans.
- On March 9, 2023, the Company executed a settlement agreement to terminate the lease-to-own arrangement for certain licenses, land and equipment in Southern Oregon. The third-party lessee failed to make the minimum payments under the arrangement and the Company exercised its right to terminate the relationship. As part of the settlement agreement, the third-party lessee paid \$500,000 as consideration for two Oregon Liquor and Cannabis Commission ("OLCC") recreational cannabis production licenses. The Company retains the land, building and equipment, which are being listed for sale.
- On February 13, 2023, the Company announced it had negotiated the cancellation of most of the earn out share obligations pursuant to the Swell Purchase agreement. The Company entered into agreements with certain Swell vendors to extinguish the Company's obligation to issue 4,792,800 common shares in exchange for a one-time payment of \$575,136, leaving only 1,207,200 Swell earn out shares remaining.

The Company's strategic Initiatives over the next 12 months include: (i) extending our Nevada retail footprint where we have a proven track record of success and (ii) continuing our disciplined approach to growth and financing.

NEVADA

The Company acquired Silver State Relief and Silver State Cultivation ("Silver State") on January 1, 2019. The Nevada business operates in Sparks and Fernley, Nevada.

Cultivation, Processing and Wholesale

Through Silver State in Nevada, the Company operates its indoor cultivation and processing out of a 104,000 square foot facility now with 37,000 square feet of cultivation and 1,200 square feet dedicated to volatile extraction. Silver State completed a \$3 million expansion of its grow facility in April 2022, more than doubling capacity to 11,500 pounds of biomass with 8,100 pounds of cannabis flower and 3,300 pounds of trim annually. An additional 30,000 sq ft of cultivation can be built out on future expansion of Nevada retail footprint, which should produce an additional 6,000 pounds per annum of high-quality cannabis flower.

The Company's extraction processing supports branded CPG in both captive retail and wholesale channels. Silver State manufactures Hood Oil cartridges, Phantom Farms pre-rolls, and cannabis flower strains, together with the Silver State branded products which include cannabis flower, pre-rolls, and concentrates. These in-house brands make up 34% of sales in the dispensaries. With the increased production available, wholesale sales amounted to \$3.0 million during the year ended January 31, 2024 (\$2.1 million in prior year).

Retail

The Company now operates three dispensaries with the acquisition of the third, the South Reno Dispensary, finalized on June 7, 2024, with its grand opening occurring on June 26, 2024. It is a 6,500 square foot, purpose-built, retail cannabis dispensary. With the dispensary's desirable location in a high traffic, flourishing area of Southern Reno, the Company anticipates strong revenue growth from this acquisition, along with the added benefit of allowing it to expand the portion of its cultivation capacity sell through.

Our two established stores, an 8,000-square foot retail dispensary, located in Sparks, Nevada, and a 6,000-square foot dispensary located in Fernley, Nevada collectively service a total of more than 125,000 recreational and medical cannabis customers per quarter, with over 700 SKUs in each store.

Silver State had total retail sales of \$25.3 million during the year ended January 31, 2024 as compared to \$26.8 million in the prior year.

RESULTS OF OPERATIONS

Summary derived from the Company's consolidated financial statements:

C21 Investments Inc., PROFIT AND LOSS	Year ended		
	31-Jan-24	31-Jan-23	31-Jan-22
			Restated
Revenue	28,285,200	28,888,410	32,982,976
Inventory expensed to cost of sales	17,135,434	15,487,264	14,172,991
Gross profit	11,149,766	13,401,146	18,809,985
	Gross Margin%	39.4%	46.4%
		57.0%	
Expenses			
General and administration	7,537,233	7,196,402	6,733,113
Sales, marketing, and promotion	75,561	83,672	83,770
Operating lease cost	633,840	591,375	591,376
Depreciation and amortization	1,408,976	1,365,018	1,280,446
Share based compensation	22,128	209,441	366,469
Total expenses	9,677,738	9,445,908	9,055,174
Income from operations	1,472,028	3,955,238	9,754,811
Other items			
Interest expense	(35,210)	(456,691)	(1,077,068)
Accretion expense	-	-	(230,462)
Other Income (loss)	(726,789)	(49,722)	108,470
Gain on change in fair value of derivative liabilities	(451,372)	742,483	8,576,290
Net income (loss) from continuing operations before income taxes	258,657	4,191,308	17,132,041
Income tax expense	(3,482,125)	(2,809,768)	(4,934,467)
Net income (loss) from continuing operations after income taxes	(3,223,468)	1,381,540	12,197,574
Net loss from discontinued operations	(81,817)	(1,088,329)	(2,242,644)
Net income (loss)	(3,305,285)	293,211	9,954,930
Income (loss) from continuing operations per share, basic and diluted	(0.03)	0.01	0.10
Basic and diluted income (loss) per share	(0.03)	0.00	0.08
Distributions or cash dividends	n/a	n/a	n/a
Weighted average number of shares outstanding - basic	120,047,814	120,047,814	118,308,584
Weighted average number of shares outstanding - diluted	122,880,807	122,880,807	121,141,677

"Revenue" includes retail revenues from our two stores and wholesale revenue from our cultivation operations. Financial Year ("FY") 2024 revenues decreased versus FY 2023 by 2% to \$28.3 million. These declines are consistent with industry trends since the easing of pandemic restrictions. According to Headset, a cannabis industry market analysis site, (<https://www.headset.io/markets/nevada>), Nevada cannabis sales have dropped by 6% over the same 12 months ending January 31, 2024.

"Cost of Sales" includes the costs directly attributable to cultivating and processing cannabis plus the cost of product purchases from third parties, for sale in our stores. With the expansion of our cultivation facility our cost of production has come down due to economies of scale. We use an average costing model which captures and averages costs over several quarters.

"**Gross profit**" fell in FY 2024 versus FY 2023 from 46% to 39%, due to various factors including gradual weakening of product demand since the easing of pandemic restrictions. See discussion in Fourth Quarter section below.

"**Income from operations**" for FY 2024 fell to \$1.5 million, down 62% versus FY 2022 of \$4.0 million. This result is mainly due to a fall in Gross Profit as discussed in Fourth Quarter section below.

Expenses

"**General and administration**" includes all overhead costs that have not otherwise been allocated to cost of sales. These include salaries and wages, professional fees including legal and accounting, insurance and some local taxes. FY 2024 costs increased by \$340,831 as compared to FY 2023 due to increased salaries, wages and professional fees.

"**Operating lease cost**" is the cost of our leases not included in cost of sales and was \$633,840 in FY 2024 versus \$591,375 in FY 2023. The increase is due to the renegotiation of an extended term on two leases.

"**Depreciation and amortization**" include provisions for fixed assets and intangibles not included in cost of sales. The total depreciation and amortization in FY2024 was \$1.41 million versus \$1.37 million in FY 2023.

"**Share based compensation**" is a non-cash item and reflects the issuance of stock options to employees, officers, and directors.

Other Items

"**Interest expense**" in FY2024 fell to \$35,210 versus \$456,691 in FY 2022 due to repayment of interest-bearing debt.

"**Other income (loss)**" in FY2024 includes a \$830,000 write-down of the book value of a property held in Oregon.

"**Change in fair value of derivative liabilities**" is a periodic revaluation of the earn out shares outstanding to vendors of businesses purchased by the Company. These earn-out shares are revalued using a Monte Carlo simulation. The fair value of this liability will increase with an increase in the stock price of the Company and vice versa. The change in fair value must be recorded through the Company's profit or loss statement. As a result, a share price increase period-over-period will result in a reduction in net income and vice versa. In February and March 2023, the Company entered into cancellation agreements with the majority of the Swell Vendors who had rights to Swell Earn-Out shares, canceling those rights for a one-time cash payment. Of the 6.0 million original Swell Earn-Out shares 1.2 million remain outstanding. Of the original 10.5 million of earn out shares to both Phantom and Swell, 1.2 million remain.

"**Provision for income taxes**" for FY 2024 of \$3.5 million is up due to increased penalties and interest on tax arrears.

"**Other comprehensive income (loss)**," specifically the cumulative translation adjustment, comes about in GAAP when translating the balances between the parent company (investments made in C\$) and the US subsidiaries (US\$). These foreign exchange gains or losses at each reporting date result from the translation of C\$ amounts to US\$ (which is our reporting currency).

"**Net income (loss) from discontinued operations**" the Company has classified all of its Oregon operations to 'discontinued operations'. The revenues and expenses pertaining to the Oregon operations are shown in this line item. We have had no active business in Oregon since early 2022. The effect of this treatment is to lower our revenues (FY2024 -nil, FY2022-\$357,540) with no effect on our gross profit (FY2024-nil, FY2023-nil) and increase our income from operations (FY2024-\$81,817, FY2023-\$1,088,329) and net income. There is no effect of discontinuing the Oregon operations on our Nevada operations as the cannabis business in each state is unique and separate, which is due to the regulation of the cannabis industry. Effective March 27, 2023, the Company reached a settlement with its central Oregon landlord with respect to its three remaining leases in Oregon, including an early termination of such leases, in exchange for an abatement of one month of the Company's rent applied to each respective lease. This is recorded in the FY2023 accounts. The Company maintains fee simple ownership of real property in central and southern Oregon, which are listed for sale.

FOURTH QUARTER

LAST EIGHT QUARTERS		(000's unless noted)							
For the 3 months ended	31-Jan-24	31-Oct-23	31-Jul-23	30-Apr-23	31-Jan-23	31-Oct-22	31-Jul-22	30-Apr-22	
Inventory	2,709	2,839	3,038	3,514	4,174	5,549	5,415	4,728	
Revenues	6,549	6,882	7,162	7,692	7,033	7,207	7,175	7,472	
Income (loss) from operations	487	220	211	555	(639)	1,376	1,524	1,695	
Adjusted EBITDA	1,055	943	972	1,561	937	1,906	2,211	2,392	
Income (loss) from continuing operations	(2,082)	(357)	(397)	(387)	(1,405)	237	1,512	1,037	
*per common share, basic & diluted	(0.02)	(0.00)	(0.00)	(0.00)	(0.01)	0.00	0.01	0.01	
Profit (loss) attributable to owners	(2,042)	(376)	(416)	(471)	(2,119)	249	1,857	307	
*per common share basic & diluted	(0.02)	(0.00)	(0.00)	(0.00)	(0.02)	0.00	0.02	0.00	

With the completion of the expansion of our grow operation in early 2022, our cultivation operations began producing more cannabis flower than our stores sell. During this time we have also seen weakening demand and increased supply in the cannabis markets, especially in wholesale markets, followed by falling prices. This caused our inventories (see table above) to spike in calendar year 2022 to a peak of \$5.5 million at Oct 31, 2022. We started a strategic shutdown of cultivation rooms on a rotating basis at the time, performed maintenance/upgrades on older rooms and testing of new cannabis strains. These initiatives caused various inefficiencies which led to lower cannabis flower yields. Implementation of an expanded customer loyalty program, inflation pressures and continued price compression in the industry also affected margins. Current inventory levels are appropriate.

In Q4, Gross Margins rebounded, highlighting the completed improvements to our grow facilities. We have continued to actively adjust our business mix as we scale back lower margin wholesale activities to better position the business for the recently announced addition of our new retail dispensary.

Income taxes are very high in the cannabis industry due to the restrictions of Section 280E of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The fair value gain or loss on derivative liability has been a large non-cash item on the income statement. The measure of income from continuing operations before these two items, in the quarterly table above, is a useful measure.

Adjusted EBITDA has been steady in the last 3 quarters after falling in the quarters prior to that for the reasons discussed above. See Non-GAAP measures below.

Non-GAAP Financial Measures

"Adjusted EBITDA" is supplemental, non-GAAP financial measures. The Company defines EBITDA as earnings before depreciation and amortization, depreciation and interest in cost of sales, income taxes, and interest. Additionally, the Company's Adjusted EBITDA presented above excludes accretion, loss from discontinued operations, one-time transaction costs and all other non-cash items. The Company has presented "Adjusted EBITDA" because its management believes it is a useful measure for investors when assessing and considering the Company's continuing operations and prospects for the future. Furthermore, "Adjusted EBITDA" is a commonly used measurement in the financial community when evaluating the market value of similar companies. "Adjusted EBITDA" is not a measure of performance calculated in accordance with GAAP, and these metrics should not be considered in isolation of, or as a substitute for, the measurement of the Company's performance prepared in accordance with GAAP. "Adjusted EBITDA," as calculated and reconciled in the table above, may not be comparable to similarly titled measurements used by other issuers and is not necessarily a measure of the Company's ability to fund its cash needs. Figures have been restated to match the current presentation.

Adjusted EBITDA

	Years ended January 31		
	2024	2023	2022
Net Income (loss)	\$ (3,305,285)	\$ 293,211	\$ 9,954,929
Interest expenses, net	35,210	456,691	1,307,530
Provision for income taxes	3,482,125	2,809,768	4,934,467
Depreciation and amortization	1,408,976	1,365,018	1,280,446
Depreciation and interest in cost of sales	812,368	812,367	812,368
EBITDA	2,433,394	5,737,055	18,289,740
Change in fair value of derivative liabilities	451,372	(742,483)	(8,576,290)
Share based compensation	22,128	209,441	366,469
Loss from discontinued operations	81,817	1,088,329	2,242,644
One-time special project costs	159,000	345,790	229,069
Production curtailment, inventory adjustments	656,000	759,000	-
Other gain/loss	726,789	49,722	(108,470)
Adjusted EBITDA	\$ 4,530,500	\$ 7,446,854	\$ 12,443,162

"Free Cash Flow" is defined as Cash Provided by Operating Activities from Continuing Operations in a period minus capital expenses of property and equipment. Management believes that Free Cash Flow, which measures our ability to generate additional cash from our continuing business operations, is an important financial measure for use in evaluating the Company's financial performance. Free Cash Flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.

Free Cash Flow

	Year ended January 31		
	2024	2023	2022
Cash provided by operating activities of continuing activities	\$ 3,261,255	\$ 5,971,267	\$ 8,438,609
Purchase of Property and Equipment	(521,579)	(442,285)	(2,562,304)
Free Cash Flow	\$ 2,739,676	\$ 5,528,982	\$ 5,876,305

Cash from operating activities has been falling due to the reasons discussed above in "Fourth Quarter". Purchase of property and equipment in the year ended Jan 31, 2024 was highlighted by the completion of a drive-thru pick-up window at our flagship retail store in Sparks, Nevada. Expenditure in the two prior years was the expansion of the grow facility and the subsequent improvements in the older grow rooms in our cultivation operations in Reno, Nevada.

SELECTED ANNUAL INFORMATION

The following table summarizes selected information for the most recent three fiscal year ends.

Selected Balance Sheet (000's)			
	31-Jan-24	31-Jan-23	31-Jan-22
Assets			
Cash and other	4,534	4,426	6,230
Inventory	2,709	4,174	4,054
<i>current</i>	7,242	8,599	10,284
Property and equipment	3,433	4,685	4,870
Goodwill, Intangibles, Right of use	43,853	45,027	46,690
<i>Total assets</i>	54,529	58,311	61,844
Liabilities			
Accounts payable	2,216	2,921	2,509
Promissory and CD Notes	1,156	3,183	7,361
Income taxes payable	9,720	7,737	4,870
Deferred tax , other	1,089	1,133	1,234
<i>current</i>	14,181	14,974	15,974
Lease liabilities	9,193	8,555	8,953
Prom notes payable	-	-	2,027
Derivative liability	108	240	1,006
other	-	228	155
<i>Non-current financial liabilities</i>	9,301	9,022	12,142
Equity	31,047	34,315	33,729
<i>Total liabilities and equity</i>	54,529	58,311	61,844

"**Total Assets**" decreased in the past two years due to decreases in cash, amortization of long-term assets, and increased due to capital spending in our cultivation facility of \$3.0 million.

"**Non-current financial liabilities**" have fallen in the past two years mainly due to paying down the Newman note, from \$14.2 million at January 31, 2021 to \$nil at Jan 31, 2024. The Newman Note monthly repayment was \$0.5 million and was fully repaid on June 1, 2023. The repayment of the Newman Note gives the Company flexibility to pursue its strategic growth plans, illustrated by the purchase of a new dispensary announced in March 2024. As cash flow has fallen in the past two years with the slowdown in the Nevada markets, we slowed our 280E driven tax payments, with current taxes owing increasing to \$9.7 million as at January 31, 2024, vs \$4.9 million on January 31, 2022.

"**Derivative liability**" as at January 31, 2022, of \$1.0 million has fallen to \$0.11 million at January 31, 2024. This derivative liability arose from issuance of earn out shares to two vendors. This value is determined by a 3rd party professional valuer. This derivative value has fallen in the past two years mainly due to the fall in the share price of the Company, the passage of time (as the agreements get closer to expiring) and due to various settlement and cancellation agreements the Company has made with most of the holders of these earn out shares. At Jan 31, 2024 the number of earn out shares outstanding is 1.2 million.

RELATED PARTY TRANSACTIONS

A summary of the Company's related balances included in accounts payable, accrued liabilities, and promissory note payable is as follows:

	January 31, 2024	January 31, 2023
	\$	\$
Due to the President and CEO	•	2,043,019
Lease liabilities due to a company controlled by the CEO	4,961,727	8,953,425
Due to the CFO of the Company	561	692
	4,962,288	10,997,136

"Due to the President and CEO" consists of the Newman Note principal and interest and reimbursable expenses incurred in the normal course of business. The Newman Note, issued to the President and CEO when the Company purchased Silver State in 2019, the Newman Note was fully repaid on June 1, 2023. The drop in related party lease liabilities above is due to the sale by the CEO of both dispensary buildings to a third party.

A summary of the Company's transactions with related parties including key management personnel for the years ended January 31, 2024, and 2023 is as follows:

	2024	2023
	\$	\$
Consulting fees paid to a director	65,000	125,000
Amounts paid to CEO or companies controlled by CEO for leases	1,001,214	1,239,090
Amounts paid to CEO or companies controlled by CEO for repayments of promissory note	2,078,229	6,584,146
Amounts paid to CEO or companies controlled by CEO for remuneration	200,000	200,000
Salary paid to directors and officers	438,162	398,950
Share based compensation including warrants and stock options for directors and officers	22,128	153,426
	3,804,733	8,700,612

Amounts paid to CEO or companies controlled by CEO consists of salary, lease payments, and Newman Note principal and interest. The CEO previously owned all three buildings (two buildings sold to third parties in current year ended) which Silver State operates from and a lease on each building was assumed by the Company upon the purchase of Silver State. The Newman Note was issued when the Company purchased Silver State in 2019 and the Newman Note was fully repaid and satisfied, and security and pledge agreements terminated, on June 1, 2023.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares.

As of January 31, 2024, there were:

- 120,047,814 Common Shares issued and outstanding;
- 1,100,000 options outstanding to purchase Common Shares, of which 1,100,000 options had vested;
- 1,200,000 warrants outstanding to purchase Common Shares; and
- no restricted share units ("RSUs") outstanding to purchase Common Shares.
- 793,093 acquisition shares to EFF vendors, yet to be issued. See 'Legal Proceedings' later in this MD&A.

As of July 19, 2024 (the date of this MD&A) the Company had the following securities outstanding:

Type of Security	Number outstanding
Common Shares	120,047,814
Stock Options	6,525,000
Warrants	4,000,000
Convertible debentures	8,888,889
Acquisition shares	793,093
	140,254,796

OVERALL PERFORMANCE

FACTORS AFFECTING PERFORMANCE:

EMPLOYEES

The Company's employees are highly talented individuals who have educational achievements ranging from Ph.D., Masters, and undergraduate degrees in a wide range of disciplines, as well as staff who have been trained on the job to uphold the highest standards as set by the Company. The Company hires and promotes individuals who are best qualified for each position, priding itself on using a process that identifies people who are trainable, cooperative and share the Company's core values.

The Company takes all reasonable steps to ensure staff are appropriately informed and trained to ensure a culture of health, safety, and continuous improvement. Wherever possible, the Company will continue to adopt generally accepted health and safety best practices from non-cannabis-related industries and follows all health and safety guidelines issued by the United States Centers for Disease Control ("CDC") and all orders from relevant provincial, state and local jurisdictions and authorities.

BRANDING AND MARKETING

The Company utilizes consistent branding and messaging across its retail and wholesale channels under Phantom Farms, Hood Oil, and Silver State Relief. The Company currently sells over 700 distinct SKUs, including the following product categories: CO2 vaporizer pens, live resin vaporizer pens, distillate vaporizer pens, live resin extract, cured resin extract, wholesale cannabis flower, packaged cannabis flower, pre-rolls, CBD cured resin vaporizer pens, CBD CO2 vaporizer pens, and CBD cured resin extracts.

BANKING AND PROCESSING

In Nevada, the Company deposits funds from its operations into its credit union accounts held Greater Nevada Credit Union (Nevada) and at Partner Colorado Credit Union through Safe Harbor Private Banking services (Colorado). The Company is fully transparent with its credit union partners regarding the nature of its business.

PRODUCT SELECTION AND OFFERINGS

Product selection decisions are currently made by the Company's buyers, who negotiate with potential vendors across all product categories including packaged and wholesale cannabis flower, vaporizer pens, cured extracts, edibles and pre-rolls. The Company bases its product selection decisions on product quality, margin potential, and scalability.

The Company's branded CPG and flower-based products are sold primarily through captive retail and wholesale channels in Nevada. The Company's retail locations in Nevada also offer third party branded CPG and flower-based products including a wide variety of THC and CBD based products, including vaporizer pens, cured resin extracts, wholesale cannabis flower, packaged cannabis flower, pre-rolls, edibles, tinctures, and topicals.

IN-STORE PICKUP, CURBSIDE DELIVERY AND DELIVERY

In addition to traditional point-of-sale retail, the Company's Nevada retail locations offer in-store pickup, curbside delivery and delivery utilizing the leading third-party service providers, a leading cannabis sales and fulfillment web-based application. The Company actively monitors the continued growth of a number of cannabis web-based sales and fulfillment platforms and is well poised to utilize strategic third-party service providers.

INVENTORY MANAGEMENT

The Company has comprehensive inventory management procedures, which are compliant with all applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict controls over the Company's cannabis flower and CPG inventory from its production, processing and distribution licensees through to ultimate sale to end consumers (or rare cases disposal as cannabis waste). Such inventory management procedures also include strong quality control and quality assurance measures to prevent in-process contamination and maintain the safety and quality of the products. The Company is committed to supplying safe, consistent, and high-quality cannabis flower and CPG products at a value-oriented price.

RESEARCH AND DEVELOPMENT

Through its research and development activities, the Company expects to create proprietary genetics, processes, technologies, and products from its existing Nevada operations, as well as from future expansion in new markets. The Company may license these genetics, processes, technologies, and products as part of its future business. The Company may also seek appropriate federal patent, trademark, copyright, and other customary intellectual property protections when the same become available and/or are appropriate.

COMPETITION

Across a modified and strategic cannabis value chain, the Company expects to continue to vigorously compete with other licensees in Nevada. Nevada is a "limited" license state, therefore competition to date has been less challenging and the broader market dynamics are more favorable. While many of the Company's direct competitors continue to be small-scale local operators, market rationalization through consolidation is increasingly a trend. Of note is the increased participation of multi-state operators with national growth aspirations in the Nevada marketplace. As more U.S. jurisdictions pass state legislation allowing the recreational use and sale of cannabis, the Company is assured an increased level of competition in U.S. markets. These increasingly competitive U.S. markets may adversely affect the financial condition and operations of the Company.

INTELLECTUAL PROPERTY

The Company has developed numerous proprietary genetics, processes, technologies and products. These assets include genetics, ERP and other software applications, cultivation and extraction technologies, as well as consumer brands. Whenever available and appropriate, the Company undertakes reasonable intellectual property protections to secure these assets.

To date, absent the availability of customary federal patent, trademark, and copyright protections for cannabis applications, the Company has relied on non-disclosure/confidentiality arrangements, common law trade secrets, and state-based trademark protections. The Company actively monitors and responds to all potentially material intellectual property infringements and maintains strict standards and controls regarding the use and dissemination of its intellectual property.

In addition, the Company owns nine (9) website domains including: www.cxxi.ca, www.phantom-farms.com, www.silverstaterelief.com, and c21supply.co, along with numerous social media accounts across all major platforms.

CONTRACTUAL OBLIGATIONS

The following table includes the Company's obligations to make future payments for each of the next five years that represent contracts and other commitments that are known and committed:

CONTRACTUAL OBLIGATIONS						
	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at January 31, 2024						
Trade and other payables	\$ 2,215,956	\$ 2,215,956	\$ 2,215,956	\$ -	\$ -	\$ -
Finance lease payments (1)	9,567,136	16,218,421	1,314,551	2,748,594	2,915,983	9,239,293
Convertible debt (2)	1,156,259	1,156,259	1,156,259	-	-	-
Notes and other borrowings (3)	396,943	396,943	396,943	-	-	-
Total	\$ 13,336,294	\$ 19,987,579	\$ 5,083,709	\$ 2,748,594	\$ 2,915,983	\$ 9,239,293

- (1) Amounts in the table reflect minimum payments due for the Company's leased facilities and certain leased equipment under various lease agreements and purchase agreements.
- (2) Amounts in the table reflect the contractually required principal payments payable under various convertible note and convertible debenture agreements. These relate to the Oregon Action in the section Legal Proceedings below.
- (3) Amounts in the table reflect the contractually required principal payments payable under a mortgage classified as held for sale.

ADDITIONAL INFORMATION

LEGAL PROCEEDINGS

Oregon Action: A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "**Plaintiffs**"), alleging contract, employment, and statutory claims, alleging \$612,500 in damages (as amended), against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee (the "**Oregon Action**"). The Company and the other defendants wholly denied the allegations and claims made in the lawsuit and are defending the lawsuit. On June 21, 2019, the Company filed Oregon Rule of Civil Procedure ("**ORCP**") 21 motions to dismiss all of the Plaintiffs' claims against it, its wholly owned subsidiaries, and other defendants. On December 30, 2019, plaintiffs filed an amended complaint dismissing the Company (and some of its directors and subsidiaries) from the case and reducing the amount in controversy in the Oregon Action. On May 6, 2020, the court granted the Company's ORCP 21 motions in its entirety to dismiss all of Plaintiffs' claims against the remaining defendants. The judgment of dismissal was entered by the Clackamas County court on or about October 14, 2020.

On October 22, 2020, the Company submitted a petition to recover the costs and attorney fees incurred by the Company as the prevailing party in the Oregon Action. On January 20, 2021, the Court ruled in the Company's favor, awarding the Company and its subsidiaries \$68,195.00 in attorney's fees, \$1,252 in costs, and a statutory prevailing party fee of \$640, through a supplemental judgment, entered on February 2, 2021. The judgment in favor of the Company remains unpaid and continues to collect interest at the statutory rate of 9% per annum.

On November 12, 2020, the plaintiffs appealed the order dismissing the claims alleged in their amended complaint. On March 2, 2021, the plaintiffs amended their appeal to also appeal the award of attorney fees and costs.

On October 26, 2022, the Court of Appeals issued its decision, reversing the general and supplemental judgments in favor of the Company and remanding the case to the trial court for further proceedings. The Company filed a petition for reconsideration of the Court of Appeals decision on December 7, 2022, which was denied.

On April 19, 2023, the Company filed a petition for review in the Oregon Supreme Court which was also denied.

On November 1, 2023, the Court of Appeals issued an appellate judgment and supplemental judgment that reversed the October 14, 2020, general judgment of dismissal and remanded the case back to the trial court as to Phantom Brands, LLC, Swell Companies Limited, and two former Company employees. By operation of law, the February 2, 2021, supplemental judgment for attorney fees in favor of the Company was also automatically reversed.

On December 21, 2023, the plaintiffs filed their second amended complaint, which the Company answered and denied.

On April 2, 2024, the Court entered a limited judgment of dismissal confirming dismissal of the Company and the other defendants who were no longer named in the case.

On April 6, 2024, the Company filed a motion to recover costs and attorney fees and the other defendants who were no longer named in the case, in the amount of \$107,622.50 in attorney's fees, and \$1,252 in costs. Plaintiffs opposed the motion, and it is pending with a hearing scheduled for July 29, 2024. Additionally, a settlement conference is set for October 22, 2024, and a twelve-person jury trial is scheduled for November 19, 2024.

British Columbia Action: On or about September 13, 2019, the Company delivered a notice to the above-mentioned Plaintiffs of alleged breach and default under the EFF purchase and sale agreement, due to alleged unlawful, intentional acts and material misrepresentations by the Plaintiffs before and after the completion of the purchase. As a result of such breach, the Company denied the Plaintiffs' tender of their share payment notes in connection with the agreement. On or about October 14, 2019, Proudest Monkey Holdings, LLC and one of its current owners, sued the Company in the Supreme Court of British Columbia to compel the issuance and delivery of the subject shares, including interests and costs (the "**British Columbia Action**").

On November 8, 2019, the Company responded and counterclaimed for general, special and punitive damages, including interest and costs, related to breach of contract, repudiation of contract, breach of indemnity and fraudulent and negligent misrepresentation by the Plaintiffs. The Plaintiffs filed a response to the Company's counterclaims on or about June 5, 2020, and the parties stipulated to a form of amended pleading which included the joinder of additional parties, an owner of Proudest Monkey Holdings, LLC and EFF, and additional contract and equitable claims and damages, partially duplicative to those alleged by the Plaintiffs in the Oregon Action (breach of contract, indemnity, unjust enrichment and wrongful termination claims). Plaintiffs allege \$2,774,176.05 in damages (as amended), plus unquantified additional damages, interest and costs, of which amounts are partially duplicative of the Oregon Action. This action remains in the discovery stage, and the trial date was removed from the court's docket due to lack of prosecution by Plaintiffs. It is too early to predict the resolution of the claims and counterclaims.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company has not entered into any off-balance sheet arrangements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this MD&A are the responsibility of the Company's management and have been examined and approved by the Board. The accompanying audited financial statements are prepared by management in accordance with GAAP, and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner that complies with the requirements of applicable laws and established financial standards and principles and maintains proper standards of conduct in its activities. The Board supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

The audit committee's role is to examine the financial statements and recommend that the Board approve them, to examine the internal control and information protection systems, and all other matters relating to the Company's accounting and finances. To do so, the Audit Committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. The Audit Committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

[Recently issued accounting pronouncements](#)

Please refer to the discussion of recently adopted/issued accounting pronouncements in the Notes to the Consolidated Financial Statements Note 2 - Basis of Presentation.

ACCOUNTING POLICIES AND ESTIMATES

FINANCIAL RISK MANAGEMENT

The Board approves and monitors the risk management processes of the Company, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company's cash is deposited in bank accounts held with a major bank in Canada, a credit union in Washington, Nevada and Colorado.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management of the Company and the Board are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company's consolidated financial statements for year ended January 31, 2024 have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

At January 31, 2024, the Company had cash of \$2,408,526, a working capital deficit of \$6,938,751.

The Company has generated significant positive cash flow for the year ended January 31, 2024, and the fiscal year ended January 31, 2023. The Statement of Cash Flows for the year ended January 31, 2024, shows cash provided by continuing operations of \$3.3 million (\$6.0 million - year ended January 31, 2023)

The promissory note owing to the President and CEO was fully repaid as of June 1, 2023, for which the monthly payments were \$0.5 million plus interest. The Company closed on the purchase of the South Reno Dispensary on June 7, 2024, which was paid for from cash on hand and the May 2024 Private Placement.

The Company acquired, for \$3.5 million, a third retail dispensary as of June 7, 2024. This store located in South Reno, Nevada opened for business on June 26, 2024. The acquisition was paid for with cash on hand generated by the Company and a C\$4.0 million financing completed in May 2024.

The Company does not have any other significant capital expenditure plans in the next 12 months. While operations' cash flow has slowed as our local markets in general have slowed, we expect to continue to generate positive operations cash flow. The repayment of the promissory note gives the Company flexibility to pursue its strategic growth plans as demonstrated with the recent purchase of a retail dispensary operation.

Working capital deficiency includes a convertible promissory note with a carrying amount of \$1,156,259, which is currently in dispute with a vendor, which is noted in 'Legal Proceedings' above. Additionally, as at January 31, 2024, the Company had income tax payable of \$9,719,872, which includes an estimated income tax for the current year of \$3,482,125. To manage liquidity risk, the Company endeavors to ensure it has sufficient cash resources to meet its financial obligations. The Company's ability to service its debt depends on sustaining the profitability of its operations and obtaining sufficient financing on acceptable terms.

There remains uncertainty about the U.S. federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern and have a material adverse impact on the business.

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 Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to ensure there are enough capital resources to continue operating as a going concern and maintain the Company's ability to ensure sufficient levels of funding to support its ongoing operations and development. The purpose of these objectives is to provide continued returns and benefits to the Company's shareholders. The Company's capital structure includes items classified in debt and shareholders' equity.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business considering changes in economic conditions and the risk characteristics of the Company's underlying asset.

The Company works with its capital advisors, CB1 Capital based in New York, to identify the best strategic options to execute our corporate growth plans, as well as increasing financial flexibility in managing our debt.

U.S. INDUSTRY BACKGROUND AND REGULATORY ENVIRONMENT

INDUSTRY BACKGROUND AND TRENDS

The emergence of the legal cannabis sector in the United States, both for medical and adult use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use.

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, found evidence that cannabis can treat pain and muscle spasms. The pain component is particularly important, because other studies have suggested that cannabis can replace patients' use of highly addictive, potentially deadly opiates - meaning cannabis legalization literally improves lives.

Polls throughout the United States consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. According to an April 2021 Pew Research Center survey, around nine-in-ten Americans favor some form of cannabis legalization, with only 8% saying cannabis should not be legal in any form. In that survey, 91% of U.S. adults support legalizing cannabis either for medical and recreational use (60%) or medical use only (31%). These are large increases in public support over the past 40 years in favor of legalized cannabis use.

Notwithstanding that 36 states and the District of Columbia have now legalized adult-use and/or medical cannabis, cannabis remains illegal under U.S. federal law with cannabis listed as a Schedule I drug under the U.S. Federal Controlled Substances Act of 1970 ("CSA").

Currently the Company only operates in the state of Nevada. The Company may expand into other states within the United States that have legalized cannabis use either medicinally or recreationally.

FEDERAL REGULATORY ENVIRONMENT

Under U.S. federal law, marijuana is currently a Schedule I drug. The CSA has five different tiers or schedules. A Schedule I drug means the U.S. Drug Enforcement Agency ("DEA") considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs are heroin, LSD and ecstasy. The Company believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Additionally, while some studies show cannabis is less harmful than alcohol, alcohol is not classified under the CSA.

Thirty-six (36) states and the District of Columbia, have now legalized adult-use and/or medical marijuana. The federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the U.S. Department of Justice Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "**Cole Memo**") and U.S. Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") guidance in 2014.

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

- preventing the distribution of marijuana to minors;
- preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
- preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
- preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and,
- preventing marijuana possession or use on federal property.

In January 2018, the then United States Attorney General, Jeff Sessions, by way of issuance of a new U.S. Department of Justice Memorandum (the "**Sessions Memo**"), rescinded the Cole Memo and thereby created a vacuum of guidance for U.S. enforcement agencies and the U.S. Department of Justice ("**DOJ**"). Rather than establish national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under State law, the Sessions Memo instructs that "[i]n deciding which marijuana activities to prosecute... with the [DOJ's] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions." Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.

Former United States Attorney General Sessions resigned on November 7, 2018 and was replaced by William Barr on February 14, 2019. On December 14, 2020, former President Trump announced that Mr. Barr would be resigning from his post as Attorney General, effective December 23, 2020. Merrick Garland, President Biden's nominee to succeed Mr. Barr, was sworn in as the current United States Attorney General on March 11, 2021. During his campaign, President Biden stated a policy goal to decriminalize possession of cannabis at the federal level, but he has not publicly supported the full legalization of cannabis. In response to questions posed by Senator Cory Booker, Merrick Garland stated during February 2021 congressional testimony that he would reinstitute a version of the Cole Memo. He reiterated the statement that the Justice Department under his leadership would not pursue cases against Americans "complying with the laws in states that have legalized and are effectively regulating marijuana", in written responses to the Senate Judiciary Committee provided around March 1. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland, will re-adopt the Cole Memo or announce a substantive marijuana enforcement policy. Justice Garland indicated at a confirmation hearing before the United States Senate that it did not seem to him to be a useful use of limited resources to pursue prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. It is unclear what specific impact the new Biden administration will have on U.S. federal government enforcement policy. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the Bank Secrecy Act (as defined herein). Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, FinCEN has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses, so long as that business is legal in their state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The "**FinCEN Guidance**" also clarifies how financial institutions can provide services to marijuana-related businesses consistent with the Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk.

The customer due diligence steps include:

- verifying with the appropriate state authorities whether the business is duly licensed and registered;
- reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
- requesting from state licensing and enforcement authorities available information about the business and related parties;
- developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
- ongoing monitoring of publicly available sources for adverse information about the business and related parties;
- ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
- refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, cannabis businesses are often forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to cannabis businesses. Despite the attempt by FinCEN to legitimize cannabis banking, in practice its guidance has not made banks much more willing to provide services to cannabis businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each cannabis business they take on as a customer. Recently, some banks that have been servicing cannabis businesses have been closing accounts operated by cannabis businesses and are now refusing to open accounts for new cannabis businesses for the reasons enumerated above.

The few credit unions who have agreed to work with cannabis businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government could change the banking laws as it relates to cannabis businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from cannabis businesses in a single day, while also servicing the need of their other customers. Those state-chartered banks and credit unions that do have customers in the cannabis industry charge marijuana businesses high fees to pass on the added cost of ensuring compliance with the FinCEN Guidance. Unlike the Cole Memo, however, the FinCEN Guidance from 2014 has not been rescinded.

The U.S. Treasury Department has publicly stated they were not informed of the then Attorney General Jeff Sessions' desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN Guidance for financial institutions. The former Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, publicly stated that he did not have a desire to rescind the FinCEN Guidance. The newly appointed Secretary of the Treasury, Janet Yellen, has not yet articulated an official Treasury Department position with regard to the FinCEN Guidance and thus as an industry best practice and consistent with its standard operating procedures, the Company adheres to all customer due diligence steps in the FinCEN Guidance.

Because the DOJ memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses have worked to continually renew the Rohrabacher-Blumenauer Amendment (originally the Rohrabacher-Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the DOJ from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession, or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625 - a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding.

An additional challenge to cannabis-related businesses is that the provisions of Section 280E of the Code are being applied by the United States Internal Revenue Service ("**IRS**") to businesses operating in the medical and adult use cannabis industry. Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

Another aspect of federal law is that it provides that cannabis and cannabis products may not be transported across state lines in the United States. As a result, all cannabis consumed in a state must be grown and produced in that same state. This dynamic could make it more difficult for the Company, in the short term, to maintain a balance between supply and demand. If excess cultivation and production capacity is created in any given state and this is not matched by increased demand in that state, then this could exert downward pressure on the retail price for the products the Company sells. If too many retail licenses are offered by state authorities in any given state, then this could result in increased competition and exert downward pressure on the retail price for the products the Company sells. On the other hand, if cultivation and production in a state fails to match growing demand then, in the short term, there could be insufficient supply of product in a state to meet demand and while the Company may be able to raise its prices there could be inadequate product availability in the short term, causing the Company's revenue in that state to fall.

Progressive federal legislation has been both introduced in the U.S. House of Representatives ("**U.S. House**") and received positive votes in recent years. On September 26, 2019, the U.S. House passed the Secure and Fair Enforcement Banking Act of 2019 (commonly known as the "**SAFE Banking Act**"), which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. On May 11, 2020, the U.S. House introduced the Health and Economic Recovery Omnibus Emergency Solutions Act (the "**HEROES Act**"), an economic stimulus package which included the language of the SAFE Banking Act. On September 28, 2020, the House introduced a revised version of the HEROES Act, including the text of the SAFE Act for a second time. The revised bill was passed by the U.S. House on October 1, 2020, before going to the Senate. On December 21, 2020, Congress reached a deal for a different \$900 billion stimulus package. On April 19, 2021, the U.S. House again passed the SAFE Banking Act, but the Senate did not. Most recently, on July 14, 2022, the U.S. House voted to include the SAFE Banking Act in the must pass fiscal year 2023 defense budget bill (the 2023 National Defense Authorization Act - "**NDAA**"), but again, the U.S. Senate required the SAFE Act's removal from the NDAA. On April 23, 2023, Sen. Jeff Merkley (D-OR) and Sen. Steve Daines (R-MT), along with Rep. Dave Joyce (R-OH) and Rep. Earl Blumenauer (D-OR), reintroduced the SAFE Banking Act of 2023. All told, the SAFE Banking Act has passed the House six times but has yet to pass the Senate. A new version of the SAFE Banking Act known as the Secure and Fair Enforcement Regulation ("**SAFER Banking Act**") was introduced in the Senate on September 21, 2023, and subsequently approved by the Senate Committee on Banking. The SAFER Banking Act is now pending passage in the U.S. Senate and, if passed, will move on to the House where it faces an uncertain future. While Congress may introduce and consider this and other legislation in the future that may address issues that are important to the Company, there can be no assurance of the content of any proposed legislation or that any pending legislation will ever be passed.

Further, the Marijuana Opportunity Reinvestment and Expungement Act, also known as the "**MORE Act**", is a proposal to legalize cannabis and expunge prior cannabis related convictions. On November 20th, 2019, the MORE Act was passed by the House Judiciary Committee, and although the U.S. House voted to pass the MORE Act on December 4, 2020, it failed to pass in the Senate prior to the end of the 2020 legislative session. There can be no assurance that it will be passed in its current form or at all.

The Joseph R. Biden ("**Biden**") Administration and balance of power in U.S. Congress could still impact the likelihood of any legal developments regarding cannabis at the national level, including the passage of the SAFE Banking Act and the MORE Act, as well as potential executive action to clarify federal policy toward the industry, although it is uncertain whether and in what manner any such federal changes will occur. On a federal level, President Biden campaigned on a platform that included cannabis decriminalization. Democrats, who are generally more supportive of federal cannabis reform than Republicans, maintained their majority in the U.S. House, although at a smaller margin than initially expected, and have gained sufficient seats in the Senate to control a majority by a single vote. As of this writing, both the SAFE Banking and MORE Acts have yet to receive action in the U.S. Senate, however, in late 2020, incoming Senate Majority Leader Charles Schumer made comments on multiple occasions suggesting that passage of these bills and potential additional favorable federal legislation are on his agenda. The Company continues to monitor U.S. federal law and the law in all jurisdictions where it is active, with respect to (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law.

On July 21, 2022, U.S. Senate Majority Leader Chuck Schumer (D-NY), Senate Finance Committee Chairman Ron Wyden (D-OR) and Sen. Cory Booker (D-NJ) formally filed the Cannabis Administration and Opportunity Act ("**CAOA**"), a much-anticipated bill to federally legalize marijuana and promote social equity. On July 22, 2022, Assistant Democratic Leader Patty Murray (D-WA) and Sen. Gary Peters (D-MI) signed onto the CAOA. The CAOA would have legalized cannabis nationwide, ending federal prohibition and expunging records of some cannabis offenders, and it also lays out a framework to establish a federal cannabis tax and Federal Drug Administration ("**FDA**") regulations for cannabis products. The bill did not pass the U.S. Senate during the 2022 legislative session (i.e., the 117th Congress).

On January 17, 2023, U.S. Representative Gregory Steube (R-FL) introduced H.R. 610, the Marijuana 1-to-3 Act of 2023 ("**1-to-3 Act**"), which would direct the DEA to transfer marijuana from Schedule I to Schedule III. A Schedule III controlled substance is a drug, substance, or chemical that has less potential for abuse than a Schedule I or II substance; that has a currently accepted medical use; and that has low or moderate risk of dependence if abused. The 1-to-3 Act bill was referred to the Committee on Energy and Commerce, and the Committee on the Judiciary, for further consideration.

On October 6, 2022, President Biden requested that the Secretary of Health and Human Services ("**HHS**") and the Attorney General initiate a review of cannabis scheduling pursuant to the Controlled Substances Act and federal law. On August 29, 2023, following a review by the FDA, the Assistant Secretary of HHS, Anne Milgram, issued a letter recommendation to the DEA that cannabis be rescheduled under the Controlled Substances Act to Schedule III. In December 2023, the DEA confirmed it was conducting its review.

On May 21, 2024, the DOJ published a "Notice of Proposed Rulemaking" to reschedule cannabis from Schedule I to Schedule III of the CSA in the Federal Register. If the rule is finalized, cannabis would be considered a drug with "moderate to low potential for physical and psychological dependence" and would be available for medical use only, not legalized at the federal level.

The following sections describe the legal and regulatory landscape in Nevada, where the Company operates. The Company believes that its operations are in full compliance with all applicable state laws, regulations and licensing requirements. Nonetheless, for the reasons described above and the risks further described under the heading "Risk Factors" herein, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained under the heading "Risk Factors" herein.

NEVADA REGULATORY ENVIRONMENT

[Nevada Summary](#)

Nevada has a medical marijuana program and passed an adult-use (21 and older) legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions, including severe pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments up until July 1, 2017 when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation ("**NDOT**"). In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based, competitive, and is currently closed. Nevada residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from certain other states to purchase medical marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Under Nevada's adult-use marijuana law, the NDOT licensed marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the Marijuana Enforcement Division of the NDOT. Until November 2018, applications to the NDOT for adult-use establishment licenses were being accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license.

In February 2017, the NDOT announced plans to issue "early start" adult use marijuana establishment licenses in the summer of 2017. These licenses, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana, and expired 90 days after January 1, 2018 (per Sec. 24 of LCB File No. T002-17). Starting July 1, 2017, medical and adult-use marijuana have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis have incurred an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

On January 16, 2018, the Marijuana Enforcement Division of the NDOT issued final rules governing its adult-use marijuana program, pursuant to which up to sixty-six (66) permanent adult-use marijuana dispensary licenses will be issued. Existing adult-use marijuana licensees under the "early start" regulations must re-apply for licensure under the permanent rules in order to continue adult-use sales.

In May of 2019, Governor Steve Sisolak signed into law Senate Bill 32, that increased transparency in the licensing process by releasing certain information about license applicants, as well as methods used to issue licenses. In June 2019, Governor Sisolak approved Assembly Bill 132 making Nevada the first state to ban employers from refusing to hire job applicants who test positive for marijuana during the hiring process.

As of August 23, 2019, as a result of discrepancies discovered in the application process by the State of Nevada, a court issued a partial preliminary injunction against the State of Nevada from moving forward with the numerous holders of provisional licenses awarded under the December 5, 2018, provisional license awards. In addition to the preliminary injunction, the State of Nevada and various intervenors remain subject to ongoing litigation.

In early 2019, Nevada legislature passed Nevada Assembly Bill 533 ("**AB 533**"), which authorized the formation of the Cannabis Compliance Board (the "**CCB**") to be vested with the authority to license and regulate persons and establishments engaged in cannabis activities within Nevada. The CCB consists of an executive director and five board members appointed by the Governor Steve Sisolak. Board members must have expertise in a range of fields, including financial and accounting, law enforcement, medicine, regulatory and legal compliance, and cannabis. AB 533 also established the Cannabis Advisory Commission (the "**CAC**") which serves to study cannabis-related issues and make recommendations to the CCB. The CAC consists of 12-members appointed by the governor representing relevant state agencies and members of the cannabis industry and the public. Pursuant to AB 533, the CCB is mandated with studying the feasibility and safe implementation of licensing for lounges, in addition to their general authority and oversight of cannabis operations in Nevada. The CCB held its first meeting in July 2021, and regularly meets regarding public health and safety, license suspensions and has recently held public workshops regarding cannabis consumption lounges.

[Nevada Regulatory Framework](#)

Nevada Revised Statutes 678C and 678D regulate the Medical and Adult Use of cannabis in Nevada. Nevada Administrative Code 453D provides a regulatory framework that outlines the function of the CCB Marijuana program. Subsections of this chapter outline licensing and enforcement guidelines which guide the CCB.

[Nevada Licensing Requirements](#)

Licenses issued by CCB can be renewed annually so long as the licensee continues to demonstrate compliance with local and state law and pays the renewal fee. Dispensary/Retail store licenses have a set statutory "cap" (per NRS 453D.210 & NRS 453A.324), other license types do not. Moreover, statutory license caps can only be changed by the Nevada legislature, which meets bi-annually. Marijuana businesses in Nevada may also be governed by local ordinances, which can include caps on the number of marijuana businesses, zoning limitations, and additional screening of business owners and investors. Applicants must demonstrate (and license holders must maintain) that: (i) they are registered with the Nevada Secretary of State to do business in Nevada, (ii) they have contributed to the advancement of the State of Nevada via regular tax payments, (iii) they do not have interests in the Casino or Alcohol industries, (iv) they have the operational expertise required by the individual license type, demonstrated by submission of an operation plan, (v) they have the ability to secure the premises, resources, and personnel necessary to operate the license, (vi) they have the ability to maintain accountability of all cannabis and cannabinoid products and by-products via the state mandated "seed-to-sale" CTS to prevent diversion or unlawful access to these materials, (vii) they have the financial ability to maintain operations for the duration of the license, (viii) all owners have passed background screening, inclusive of fingerprinting, and (ix) all local land use, zoning, and planning notices have been followed in the development of the licensed site.

[Nevada Security Requirements](#)

A licensee must maintain a fully operational alarm and video monitoring system at all times. The alarm system must secure all points of ingress and egress and be equipped with motion detectors. The 24-hour video surveillance system must record at a high-resolution format approved by the CCB and have camera coverage which covers all areas of the facility without any blind spots. Video footage must be backed-up for a minimum of 30 days in hard-form. Cultivation and product manufacturing sites are not open to the public.

[Nevada Transportation and Storage Requirements](#)

Cannabis and cannabis goods must be stored in a lockable safe or vault at any time that employees are not on location. Any storage container that is large enough to allow an employee to walk into it must have cameras placed inside. Goods to be transported to another licensee must be fully manifested via the state mandated "seed-to-sale" CTS prior to being transported.

[Nevada CCB Inspections](#)

The CCB conducts announced and unannounced inspections of all licensed facilities to determine compliance with laws and rules. The CCB will inspect a licensee in the event of a complaint indicating that the licensee has or is actively violating existing statute. The CCB will also inspect at the time of any modification, as well as at the time of annual renewal. As of June 13, 2023, the CCB is no longer allowed to bill a licensee for time and effort related to oversight of a cannabis establishment, including for inspections and audits.

[Nevada Product Testing and Packaging Requirements](#)

Both medical and adult-use marijuana and marijuana products are subject to stringent testing and packaging requirements. Before usable marijuana, concentrated marijuana, or marijuana products may be packaged for further processing or for transfer to a dispensary or retail store, an independent testing laboratory licensed by the CCB must collect samples from each homogenized lot or production run for testing. These samples are tested by the independent testing laboratory for compliance with specified limits on contaminants such as yeast and mold, heavy metals and pesticides, and microbes. Testing is also done to determine the potency of the sample. Cultivation and product manufacturing facilities are also subject to random quality assurance compliance testing at the discretion of the CCB. Generally, if a sample fails any of the tests conducted by the testing laboratory, the entire lot or production run must be destroyed.

All marijuana or marijuana products intended to be sold to consumers must be individually packaged, sealed, and labeled. Edible products must be packaged in opaque, child-resistant containers. Depending on the type of marijuana product, the CCB places limit on the amount of THC that a single package of marijuana may contain or the number of ounces of product a package may contain. All packages of marijuana or marijuana product sold to consumers must have detailed labels that include, inter alia, various warnings about the effects and risks of marijuana use; the name, license number, and contact information of the dispensary or retail store conducting the sale; the name and license number of the cultivation or product manufacturing facility that harvested or produced the marijuana or marijuana product; the potency levels of the marijuana or marijuana product; and the date the marijuana or marijuana product was harvested or produced.

PUBLIC OPINION

The increase in state legalization of cannabis use is largely a result of changing public opinion in the United States. According to an April 2017 Quinnipiac University Poll, 94% of U.S. voters support the medical use of cannabis if recommended by a physician. <https://poll.qu.edu/poll-results/> An April 2021 Pew Research Center poll found that 91% of U.S. voters support legal marijuana for either medical or recreational use; only 8% of U.S. voters say marijuana should not be legal for use by adults. <https://www.pewresearch.org/> As of July 21, 2022, by a margin of more than 2 to 1, Americans favor a federal mandate legalizing the adult use of marijuana nationwide, according to polling data compiled by The Economist and YouGov.com. https://today.yougov.com/topics/politics/explore/topic/The_Economist_YouGov_polls Based on a Pew Research Center survey conducted Oct 16-22, 2022, 88% of U.S. adults say either that marijuana should be legal for medical and recreational use by adults (59%) or that it should be legal for medical use only (30%). Based on a Pew Research Center survey conducted January 16-20, 2024, an overwhelming share of U.S. adults (88%) maintain that marijuana should be legal for medical or recreational use. Nearly six-in-ten Americans (57%) say that marijuana should be legal for medical and recreational purposes, while roughly a third (32%) say that marijuana should be legal for medical use only. Further Pew Research Center analysis finds: (a) 54% of Americans live in a state where the recreational use of marijuana is legal, (b) 74% of Americans live in a state where marijuana is legal for either recreational or medical use, and (c) 79% of Americans live in a county with at least one cannabis dispensary.

INDUSTRY OUTLOOK

Due to increases in state legalization and shifting public opinion, state-legal cannabis industry sales have grown substantially in recent years. According to an April 2023 study by MJBizDaily Research, a leading business-to-business industry resource, legal sales of marijuana are expected to reach \$38 billion by the end of 2024, a 12% increase over 2023's total of \$34 billion. By 2027, MJBizDaily Factbook estimates retail cannabis sales are projected to be upwards of \$53.5 billion..

<https://insights.mjbizdaily.com/factbook-2024/>

RISK FACTORS

The following are certain factors relating to the business and securities of the Company. The Company may face a few challenges and significant risks in the development of its business due to the nature of and present stage of its business. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also impair the operations of or materially adversely affect the securities of the Company. If any such risks occur, the Company's shareholders could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could be materially adversely affected. Some of the risk factors described herein are interrelated and, consequently, readers should carefully review such risk factors together with other information in this MD&A. In addition to the risks described in the MD&A, refer to the "Risk Factors" section in the Company's Annual Report on Form 20-F.

The acquisition of any of the securities of the Company is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are enough to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of a person's investment portfolio and should only be made by persons who can afford a total loss of their investment.

While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs and reputational harm.

Eighty percent (80%) of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult- use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA, and as such, activities within the cannabis industry are illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought, the Company may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

Individual U.S. state laws do not always conform to U.S. federal regulatory standards, or to other U.S. state laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalized and/or created medical marijuana exemptions. Several states have also legalized the recreational use of cannabis. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. For example, Oregon and Colorado have limits on the number of marijuana plants that can be home grown. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of a medical marijuana license or that person's caregiver. Even in those states in which the use and commercialization of marijuana has been legalized, its use remains a violation of U.S. federal law.

The Company is currently aware of 40 states of the United States, the District of Columbia, and four out of five U.S. territories, that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation. Additionally, the sale and adult-use of recreational cannabis is legal in 24 U.S. states and the District of Columbia, and 38 U.S. states and the District of Columbia, for medical use. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, absent passage of the 1-to-3 Act, or equivalent bill into law, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law.

Although the Company's activities are in compliance with applicable state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Proceeds from the Company's financings could be considered proceeds of crime which may restrict the Company's ability to pay dividends or effect other distributions to its shareholders.

Currently, the Company engages in the manufacture, distribution, possession and sale of cannabis in the U.S. medical and recreational cannabis markets, and therefore the enforcement of U.S. federal laws is a significant risk to the Company. Unless and until the U.S. Congress amends the CSA through the 1-to-3 Act, or otherwise, (or the DEA reschedules or de-schedules cannabis), there is a risk that U.S. federal authorities, including the United States Attorney's Office for the District of Nevada, may enforce current federal law, and the Company may be deemed to be possessing, manufacturing, and trafficking marijuana in violation of U.S. federal law. Such activities also may serve as the basis for the prosecution of other crimes, such as those prohibited by the money laundering statutes, the unlicensed money transmitter statute, and the Bank Secrecy Act. Additionally, the Company may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law with respect to the Company's current or proposed business operations. As to the timing or scope of any such potential amendments to the CSA, there can be no assurances to when or if any potential amendments will be enacted. Active enforcement of the current federal statutory laws and regulatory rules regarding cannabis may thus directly and/or indirectly and adversely affect the Company's future operations, cash flows, earnings, and financial condition.

The Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, as has recently been affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life.

Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Company in the highly regulated, highly competitive and rapidly evolving U.S. cannabis industry.

As a result of the conflicting views between individual state governments and the U.S. federal government regarding cannabis, investments in U.S. cannabis businesses are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then U.S. Deputy Attorney General, James Cole, authorized the Cole Memo addressed to all United States Attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memo outlined certain priorities for the U.S. Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form, and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, that conduct in compliance with those laws and regulations is less likely to be a priority at the federal level.

On January 4, 2018, Jeff Sessions, the U.S. Attorney General at the time, issued the Sessions Memo to all United States Attorneys, which rescinded the Cole Memo in its entirety. The Sessions Memo provided that in deciding which marijuana activities to prosecute under U.S. federal laws, prosecutors should follow the same well-established principles that govern all U.S. federal prosecutions. Following the release of the Sessions Memo, the fate of state-legal cannabis is uncertain, and the risk of prosecution varies from state to state based on the posture, priorities and resources of each United States Attorney's Office for each applicable state.

Although the Cole Memo was rescinded, one legislative safeguard for the medical cannabis industry, appended to federal appropriations legislation, remains in place. Currently referred to as the "Rohrabacher-Blumenauer Amendment", this so-called "rider" provision has been appended to the Consolidated Appropriations Acts every year since fiscal year 2015. Under the terms of the Rohrabacher-Blumenauer rider, the federal government is prohibited from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. On December 20, 2019, then President Donald Trump signed the Consolidated Appropriations Act, 2020 which included the Rohrabacher-Blumenauer Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. On December 27, 2020, the omnibus spending bill passed including the Rohrabacher-Blumenauer Amendment, extending its application until September 30, 2021. The Amendment was then renewed through a series of stopgap spending bills on September 30, 2021, December 3, 2021, February 18, 2022, and March 11, 2022. On March 15, 2022, the Amendment was renewed through the signing of the fiscal year 2022 omnibus spending bill, extending previous funding levels and riders, including the Rohrabacher-Blumenauer Amendment. There can be no assurances that the Rohrabacher-Blumenauer Amendment will be included in future appropriations bills to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law.

On March 11, 2021, Merrick Garland was sworn in as the U.S. Attorney General. During his campaign, President Biden stated a policy goal to decriminalize possession of cannabis at the federal level, but he has not publicly supported the full legalization of cannabis. In response to questions posed by Senator Cory Booker, Merrick Garland stated during a February 2021 congressional testimony that he would reinstitute a version of the Cole Memo. He reiterated the statement that the Justice Department under his leadership would not pursue cases against Americans "complying with the laws in states that have legalized and are effectively regulating marijuana", in written responses to the Senate Judiciary Committee provided around March 1. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland, will re-adopt the Cole Memo or announce a substantive marijuana enforcement policy. Justice Garland indicated at a confirmation hearing before the United States Senate that it did not seem to him to be a useful use of limited resources to pursue prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. It is unclear what impact, if any, the current administration will have on U.S. federal government enforcement policy on cannabis.

In October 2021, in a letter from U.S. Senators Corey Booker and Elizabeth Warren to Attorney General Garland, the Senators advocated the federal decriminalization of cannabis by removing cannabis from the CSA's list of controlled substances. To date, Attorney General Garland and the Department of Justice have not publicly responded to the Senators' letter. Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Given the conflict of laws and regulations, there is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurance that the Biden Administration would not change the current enforcement policies, priorities and resources and choose to enforce the subject federal laws. The Company regularly monitors ongoing developments in this regard.

Violations of any laws and regulations could result in significant fines, penalties, administrative sanctions, forfeiture, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its title (directly or indirectly) to cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, its operating results, and profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or the final resolution of such matters because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested and degree of enforcement by the applicable authorities involved, and such time or resources could be substantial.

As a company listed on the CSE, the Company accesses the Canadian capital markets on a public and private basis, and any capital raised may be utilized for the ongoing operations of its U.S. holdings that operate in the U.S. cannabis industry. There is no assurance that the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from residents, citizens, venture capital, private equity and banks in the United States may be limited due to their unwillingness to be associated with activities that violate U.S. federal laws. Notwithstanding the above, the SAFER Banking Act would be a positive development for the industry and access to move affordable banking and lending.

Changes to current laws and regulation may impose substantial costs on the Company.

Local, state and federal cannabis laws and regulations in the United States are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of the Company's planned operations. Furthermore, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's cannabis business. The Company cannot predict the nature of any future laws, rules, regulations, resolutions, declarations, policy positions, interpretations or applications, nor can it determine what affect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Beginning in September 2019, the United States media began reporting on potential vape related illnesses and death based on conditions resembling pneumonia, that consumers of flavored nicotine and flavored THC vaping products were experiencing. Vaping product sales are a material source of revenue for the Company. Although there has been no conclusive medical or scientific determination as to the cause of the subject conditions, management believes that the Company's products do not contain any of the components or chemicals, including but not limited to vitamin E acetate, which were implicated as possible sources of the condition, and which were identified by the CDC based on laboratory findings released on November 8, 2019. Out of an abundance of caution, governors of certain US states took precautionary, short-term actions until a more conclusive link between vaping products and the condition is determined; as mentioned in the Company's previous filings, Oregon was one of those states until the State was forced to lift its ban by court order on January 16, 2020.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants, including the Company.

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks. The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business.

Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements could also occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings on investments and could make future capital investments or the Company's operations uneconomic.

The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants in the industry, such as the Company, which cannot be readily predicted.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Authority or other federal, applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

The Company's operations in the U.S. are subject to applicable anti-money laundering laws and regulations.

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial record keeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 ("**Bank Secrecy Act**"), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on C21's Common Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company's operations and any proceeds thereof may be considered proceeds of crime since cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time in response to factors outside of the Company's control.

The Company may have difficulty accessing the services of banks and processing credit card payments in the future, which may make it difficult to operate. To mitigate this risk, the Company has maintained banking relations with three private credit unions in states where cannabis has been legalized at the state level, including Partners Colorado Credit Union (Colorado), Salal (Washington State) and Greater Nevada Credit Union (Nevada). Through these private credit unions, the Company is able to access bank services to support its Nevada cannabis operations and handle any remaining Oregon-based accounts payable or receivable.

Losing access to traditional banking, including bank-specific liquidity risks, could have a significant effect on our ability to operate, conclude financings and achieve returns.

Since the use of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. The inability to open or maintain traditional bank accounts may make it difficult to operate the Company's cannabis business. To mitigate this risk, the Company has maintained banking relations with three private credit unions in states where cannabis has been legalized at the state level, including Partners Colorado Credit Union (Colorado), Salal (Washington State) and Greater Nevada Credit Union (Nevada). Through these private credit union banks, the Company can access comprehensive banking services including cash management checking accounts, ACH transfer processing, cash pick-up and delivery services, debit card and credit card processing, online banking, and processing of bank wires and transfers.

The recent closures of Silicon Valley Bank, Signature Bank and First Republic Bank and their placement into receivership with the Federal Deposit Insurance Corporation ("FDIC") have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds, even deposit amounts that exceed FDIC deposit insurance limits, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages.

The FinCEN Guidance sets forth certain circumstances whereby it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. However, as discussed above, most banks and other financial institutions do not feel comfortable providing banking services to cannabis-related businesses, or relying on the FinCEN Guidance which could be revoked at any time by the Biden Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses.

Accordingly, the Company may have limited or no access to banking or other financial services in the U.S. in the future and may have to operate the Company's U.S. business on a cash-only basis. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. While the U.S. House passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently. The prospects of the SAFER Banking Act, or some permutation thereof, becoming law is uncertain as of the date of this MD&A.

The Company's operations in the United States may be subject to heightened scrutiny.

The Company's existing operations in the United States cannabis market, and any future interests, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies or other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Given the heightened risk profile associated with cannabis in the United States, it was previously reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017, reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the "**TMX MOU**") with Aequis NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (the "**TSXV**"). The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States.

The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid and until an alternative was implemented investors would have no ability to affect a trade of Common Shares through the facilities of a stock exchange.

Through its subsidiaries, the Company is licensed by the State of Nevada Department of Taxation to cultivate and distribute wholesale and retail recreational and medicinal cannabis products in Nevada.

The following table is a summary of C21's balance sheet exposure to U.S. cannabis-related activities as of January 31, 2024:

	2024		
	Subsidiaries	Investments	Total
Current Assets	\$ 6,905,063	\$ -	\$ 6,905,063
Non-current Assets	47,286,580	-	47,286,580
Total Assets	\$ 54,191,643	\$ -	\$ 54,191,643
Current Liabilities	\$ 13,742,790	\$ -	\$ 13,742,790
Non-Current liabilities	9,300,821	-	9,300,821
Total Liabilities	\$ 23,043,611	\$ -	\$ 23,043,611

Goodwill and intangibles related to the acquisition of U.S. based subsidiaries are included within the noncurrent asset totals above.

The following represents the portion of certain assets on C21's consolidated balance sheet that pertain to U.S. Cannabis activity as of January 31, 2024:

- Inventory: 100%
- Property plant & equipment: 100%
- Intangible assets and goodwill: 100%
- Notes receivable and deposits: 95%

Unfavorable publicity or consumer perception of cannabis may have an adverse effect on the demand for our products.

The Company believes the adult-use and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of adult-use and medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports, findings or other media attention will not arise.

Public opinion may result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States, or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any limits on future expansion may have a material adverse effect on the Company's business, financial condition, and results of operations.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's current and proposed brands and products will remain or be approved for sale and distribution in any state.

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance notice of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company will continue to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such future products will be approved to the extent necessary. For the products that are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise.

The business premises of the Company are a target for theft, which may have an adverse impact on its financial condition and results of operations.

The business premises of the Company are a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing, distribution and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers, cannabis products, cultivation and processing equipment, and cash could have a material adverse impact on the business, financial condition, results of operation and property of the Company.

As the Company's business involves the movement and transfer of cash which is collected from third parties or deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Company engages security firms to provide armed guards and security in the transport and movement of large amounts of cash. While the Company has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

The Company has historically relied on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely on the capital markets to finance its business.

Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. state-legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

As consumer perceptions of cannabis evolve, the Company may face unfavorable publicity or consumer perception.

The state-legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the nature of legalization (for example, support for legalization of medical versus recreational cannabis). The Company's ability to maintain and increase market acceptance of its company and products may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Product liability claims or regulatory actions against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business.

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. This is particularly true in light of the United States media news, beginning in September 2019, regarding potential vaporizer (vape) related illnesses and deaths. The Company closely monitors the news reports on this topic, including results from the investigations being conducted by the CDC, and put out a statement over its social media feed on September 11, 2019 confirming its commitment to consumer safety, discussing the rigorous quality control and testing of its products, and explaining that none of its vape products are manufactured with vitamin E acetate, or any other additives, thickeners or agents. The Company further disclosed its complete ingredient list for all of its vape products. In addition, the manufacture and sale of marijuana involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of marijuana alone or in combination with other medications or substances could occur. As a manufacturer, distributor and retailer of adult-use and medical marijuana, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical marijuana, the Company may be subject to various product liability claims, including, among others, that the marijuana product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.

Due to the early stage of the state-legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs which relies on a health supply chain.

Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a single source supplier were to go out of business, an operator might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an operator, and consequently, the Company. Given the recent, systemic issues with the global supply chain, there is an increased risk of interruption or negative change in the availability of key inputs the Company relies upon which could materially adversely impact the Company in the current supply chain environment and into the foreseeable future.

The Company's limited operating history makes evaluating its business and prospects difficult.

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. The Company has had limited experience in addressing the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving industries such as the cannabis industry. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

There is no assurance of the Company's profitability.

The Company cannot give assurances that it will not incur losses in the future. The limited operating history makes it difficult to predict future operating results. The Company is subject to the risks inherent in the operation of a new business enterprise in an emerging and uncertain business sector, and there can be no assurance that the Company will be able to successfully address these risks.

The Company's operations are impacted by general economic trends.

Any worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in the United States and elsewhere could adversely affect the Company's business, financial condition, results of operations and property.

The Company faces risks related to tax credits and deductions.

The provisions of the Section 280E of the Code are being applied by the IRS to businesses operating in the U.S. medical and adult-use marijuana industry. Section 280E of the Code provides that no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any State in which such trade or business is conducted. The IRS has invoked Section 280E of the Code in tax audits against numerous cannabis businesses in the United States that are permitted under applicable U.S. state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various U.S. administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue a favorable interpretation of Section 280E of the Code with respect to cannabis businesses.

Businesses operating legally under state law argue that Section 280E of the Code should not be applied because Congress did not intend the law to apply to businesses that are legal under state law. The IRS asserts that it was the intent of Congress to apply the provision to anyone "trafficking" in a controlled substance, as defined under federal law (as stated in the text of the statute). Section 280E of the Code may adversely impact the Company and cause it to be subject to higher effective U.S. federal income tax rates than similar companies in other industries.

Currency fluctuations may have a material adverse effect on the Company's business, financial condition and operating results.

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. All or substantially all of the Company's revenue will be earned in U.S. dollars, but operating expenses are incurred in both U.S. and Canadian dollars. The Company does not have currency hedging arrangements in place, and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the U.S. dollar and Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Rising energy costs may have a material adverse effect on the Company's business, financial condition and operating results.

Adult-use and medical marijuana growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, results of operations, financial condition or prospects of the Company.

The Company faces risks related to supply chain issues and interruptions.

Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a single source supplier were to go out of business, an operator might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an operator, and consequently, the Company. Given the recent, systemic issues with the global supply chain, there is an increased risk of interruption or negative change in the availability of key inputs the Company relies upon which could materially adversely impact the Company in the current supply chain environment and into the foreseeable future.

The Company may not be able to meet its obligations as they become due, and the Company may require additional funding to continue as a going concern.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern may be dependent on management's ability to raise required funding through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investment and financing activities. While the Company experiences positive cash flow from operations, such cash flow may not be sufficient on their own to fund payments to unsecured creditors. These material uncertainties cast doubt upon the Company's ability to continue as a going concern.

The Company may require additional financing, which may not be available.

The continued development of the Company may require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing. The failure to raise or procure such additional funds could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Company indebtedness could have a number of adverse impacts on the Company, including reducing the availability of cash flows to fund working capital and capital expenses.

Any indebtedness of the Company could have significant consequences on the Company, including: increase the Company's vulnerability to general adverse economic and industry conditions; require the Company to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Company's cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Company's flexibility in planning for, or reacting to, changes in the business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Company's ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

FORWARD LOOKING STATEMENTS

This MD&A includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States securities laws. All information, other than statements of historical facts, included in this MD&A that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information includes, among other things, information regarding: statements relating to the business and future activities of, and developments related to, the Company, including such things as the timing of the completion of contemplated acquisitions or dispositions, expectations whether such proposed transactions will be consummated on the current terms or otherwise and contemplated timing, expectations and effects of such proposed transactions, including the potential number and location of cultivation and production facilities and dispensaries or licenses therefor to be acquired or sold and markets to be entered into or exited by the Company as a result of completing such proposed transactions, the ability of the Company to successfully achieve its business objectives as a result of completing such proposed acquisitions or dispositions, estimates of future cultivation, manufacturing and extraction capacity, expectations as to the development and distribution of the Company's brands and products, the expansion into additional U.S. and international markets, any potential future legalization of adult-use and/or medical cannabis under U.S. federal law, expectations of market size and growth in the United States and the states in which the Company operates or contemplates future operations and the effect such growth will have on the Company's financial performance, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally, and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements.

Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: the contemplated acquisitions and dispositions being completed on the current terms and current contemplated timeline; development costs remaining consistent with budgets; ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; favorable production levels and costs related to the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third party service providers and other inputs for the Company's operations; the Company's ability to conduct operations in a safe, efficient and effective manner; the ability of the Company to restructure and service its secured debt; the availability of securitized debt financing on terms acceptable to the Company, or at all. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks relating to U.S. regulatory landscape and enforcement related to cannabis, including governmental and environmental regulation, public opinion and perception of the cannabis industry, risks related to the ability to consummate any proposed acquisitions or dispositions on the proposed terms and the ability to obtain requisite regulatory approvals and third party consents and the satisfaction of other conditions, risks related to reliance on third party service providers, the limited operating history of the Company, risks inherent in an agricultural business, risks related to proprietary intellectual property, risks relating to financing activities, risks relating to the management of growth, increasing competition in the cannabis industry, risks associated to cannabis products manufactured for human consumption including health risks, potential product recalls, reliance on key inputs, reliance on a healthy global supply chain, suppliers and skilled labor (the availability and retention of which is subject to uncertainty), cyber-security risks, ability and constraints on marketing products, fraudulent activity by employees, contractors and consultants, risk of litigation and conflicts of interest, and the difficulty of enforcement of judgments and effecting service outside of Canada, risks related to future acquisitions or dispositions, limited research and data relating to cannabis, and the continued impact it may have on the global economy and the retail sector, particularly the cannabis retail sector in the states in which the Company operates, as well as those risk factors discussed elsewhere herein, including under "**Risk Factors**".

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The Company may elect to update such forward-looking information and statements at a future time, it assumes no obligation for doing so except to the extent required by applicable law.

C21 INVESTMENTS INC.

**NOTICE OF CHANGE OF AUDITOR
PURSUANT TO SECTION 4.11 OF NATIONAL INSTRUMENT 51-102
OF THE CANADIAN SECURITIES ADMINISTRATORS**

TO: Davidson & Company LLP, Certified Public Accountants

AND TO: Marcum LLP, Certified Public Accountants

AND TO: British Columbia Securities Commission
Alberta Securities Commission
Ontario Securities Commission

C21 Investments Inc. (the "**Company**") hereby provides notice pursuant to section 4.11 of National Instrument 51-102 - Continuous Disclosure Obligations ("**NI 51-102**") of a change in the auditor of the Company from Marcum LLP, Certified Public Accountants, to Davidson & Company LLP, Certified Public Accountants, and confirms the following:

1. At the request of the Company, Marcum, LLP, Certified Public Accountants ("**Marcum**") tendered its resignation as auditor of the Company effective as of January 19, 2024;
2. Davidson & Company LLP, Certified Public Accountants ("**Davidson**") advised the Company of its agreement to be appointed as successor auditor of the Company effective upon Marcum's resignation;
3. The Board of Directors of the Company (the "**Board**"), upon the recommendation of the audit committee of the Board, has approved the resignation of Marcum, the predecessor auditor of the Company, and the appointment of Davidson as successor auditor of the Company effective as of January 19, 2024;
4. There were no modified opinions expressed in the auditor's reports of Marcum on the annual financial statements of the Company for the financial years ended January 31, 2022 and 2023; and
5. In the opinion of the Board, there are no "reportable events" (as that term is defined in NI 51-102).

The Company requests that each of Davidson and Marcum review this Notice and provide the Company on or before January 24, 2024 with a letter addressed to the the British Columbia, Alberta and Ontario Securities Commissions stating whether it (i) agrees, (ii) disagrees (and the reasons why), or (iii) has no basis to agree or disagree with the above statements in accordance with section 4.11 of NI 51-102.

DATED at Vancouver, British Columbia as of the 19 of January, 2024.

C21 INVESTMENTS INC.

Per: *"Michael Kidd"*
Michael Kidd
Chief Financial Officer

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of C21 Investments Inc. on Form S-8 (file no. 333-259093) of our report dated June 13, 2023, before the adjustments and reclassification for the changes described in Notes 2 and 21 and their related impact in the consolidated financial statements, with respect to our audit of the consolidated financial statements of C21 Investments Inc. as of January 31, 2023 and for the year then ended, which report is included in this Annual Report on Form 20-F of C21 Investments Inc. for the year ended January 31, 2024.

Marcum LLP

Marcum LLP
San Jose, CA
July 24, 2024

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No.333-259093) of C21 Investments Inc. (the “Company”) of our report dated July 24, 2024, which includes a paragraph as to the reclassification of the 2023 financial statements to conform to the current year presentation, relating to the consolidated financial statements of the Company as of and for the year ended January 31, 2024, included in this Annual Report on Form 20-F for the year ended January 31, 2024.

Vancouver, Canada

July 24, 2024

/s/ **DAVIDSON & COMPANY LLP**

Chartered Professional Accountants



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