AYURCANN

AYURCANN HOLDINGS CORP.

Audited Consolidated Financial Statements

For the years ended June 30, 2024, and 2023

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Ayurcann Holdings Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ayurcann Holdings Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2024 and 2023, and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $3,967,736 during the year ended June 30, 2024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Emphasis of Matter - *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Intangible Asset Impairment Testing

Description of the matter

As described in Notes 5 and 10 to the consolidated financial statements, the Company's intangible assets comprise market related trade names/brands acquired from the acquisition of Joints and Hustle & Shake. The Joints and Hustle & Shake intangible assets were assessed as having a definite useful life.

In accordance with IAS 36, *Impairment of Assets*, intangible assets with a definite useful life are tested for impairment when facts and circumstances suggest they may be impaired. An impairment is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal.

Management concluded an impairment charge was not required as a result of the impairment testing performed.

Why the matter is a key audit matter
This matter represented an area of significant risk of material misstatement given the magnitude of the carrying value of the intangible assets. In addition, significant auditor judgement, knowledge and effort were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit
The following were the primary procedures we performed to address this key audit matter:

- Evaluated reasonableness of judgments made in management's impairment assessment; including internal and external qualitative factors outlined in IAS 36 guidance;
- Verified the status of the Company's relevant trademarks and confirmed good standing to Governmental registries;
- Reviewed sales data noting the Joints and Hustle & Shake branded products were being sold and at an escalating rate;
- Compared the Company's market capitalization and net assets, noting net assets were in excess by a substantial margin;
- We assessed the appropriateness and completeness of the related disclosures in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
October 28, 2024

Ayurcann Holdings Corp.
Consolidated Statements of Financial Position
As at June 30, 2024 and 2023
(Expressed in Canadian dollars)

As at	Note		June 30, 2024		June 30, 2023
ASSETS					
Cash		$	389,092	$	971,959
Restricted Cash			250,000		-
Trade and other receivables	6		5,235,114		4,840,471
Prepaid expenses and deposits			238,759		164,013
Income tax receivable			21,146		21,146
Inventories	7		5,362,600		3,277,081
Current Assets			**11,496,710**		**9,274,669**
Property and equipment	8		919,740		1,016,415
Right-of-use assets	9		683,458		135,339
Intangible assets	5, 10		1,753,973		2,303,973
Non-Current Assets			**3,357,170**		**3,455,726**
Total Assets			**14,853,880**		**12,730,395**
LIABILITIES					
Trade and other payables	11	$	12,614,045	$	9,410,544
Harmonized sales tax payable			410,313		30,943
Current portion of lease liability	12		144,261		124,122
Current portion of long term debt			35,791		-
Due to related parties	14, 15		400,000		415,497
Current Liabilities			**13,604,410**		**9,981,106**
Lease liability	12		585,572		56,774
Long term debt	13		129,019		-
Non-Current Liabilities			**714,591**		**56,774**
Total Liabilities			**14,319,002**		**10,037,880**
SHAREHOLDERS' EQUITY					
Common share capital	16b	$	12,945,769	$	11,155,019
Warrant reserve	16c		935,744		935,744
Stock based payments	16d		1,032,391		1,013,042
Accumulated deficit			(14,379,026)		(10,411,290)
Total Shareholders' Equity			**534,878**		**2,692,516**
Total Liabilities and Shareholders' Equity			**14,853,880**		**12,730,395**
Nature of operations and going concern	1				
Subsequent events	20				

Approved on behalf of the Board of Directors:

/s/ David Hackett Director
/s/ Roman Buzaker Director

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

Ayurcann Holdings Corp.
Consolidated Statements of Comprehensive Loss
For the years ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

		Year ended June 30,	
	Note	**2024**	**2023**
Revenues			
Product Sales (B2C)		$ 45,124,164	$ 21,192,334
Product Sales (B2B)		316,873	656,409
Services		314,996	522,860
Gross Revenues		**45,756,033**	**22,371,603**
Agency and Service Fees		(376,844)	(257,523)
Excise Duties		(20,221,583)	(9,622,241)
Net Revenue		**25,157,605**	**12,491,839**
Cost of Goods Sold		(16,692,285)	(8,812,172)
Gross Margin		**8,465,320**	**3,679,667**
Expenses			
Salaries and Wages	14	2,700,882	1,717,007
Office and General		1,964,824	2,008,451
Sales and Marketing		4,490,553	2,492,618
Professional and Consulting Fees	14, 15	970,110	820,836
Depreciation of Property and Equipment	8	171,395	5,829
Amortization of Intangible Assets	5	550,000	446,027
Share Based Payments	14, 15, 16b	407,333	1,532,503
Write Down of Inventory		461,103	-
Expenses		**11,716,200**	**9,023,271**
Operating Loss		**(3,250,880)**	**(5,343,605)**
Other Income/Expense			
Finance Costs		716,856	30,188
Other Income		-	(66,666)
Net Loss and Comprehensive Loss		**$ (3,967,736)**	**$ (5,307,127)**
Weighted Average Shares Outstanding			
- Basic and Diluted		177,397,825	150,123,889
Basic and Diluted Loss per Share		**$ (0.02)**	**$ (0.03)**

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

Ayurcann Holdings Corp.
Consolidated Statements of Cash Flows
For the years ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

	Note	Year ended June 30, 2024	2023
OPERATING ACTIVITIES			
Net loss for the year		$ (3,967,736)	$ (5,307,127)
Items Not Affecting Cash			
Depreciation of property and equipment		533,076	220,233
Amortization of intangible assets		550,000	446,027
Amortization of right-of-use assets	9	157,312	113,391
Share based payments	14, 16b	407,333	1,532,503
Interest on lease liability		55,213	-
Interest on promissory note		10,192	15,497
Amortization of deferred lease inducement		-	(10,774)
Change in Non-Cash Working Capital Items			
Trade and other receivables		(394,642)	(3,793,075)
Prepaid expenses		(74,745)	86,128
Harmonized sales tax payable		379,370	(7,946)
Inventories		(2,085,519)	(329,183)
Trade and other payables		4,333,252	6,260,686
Income tax		-	121,063
Cash Flows Provided (Used) for Operating Activities		**(96,894)**	**(652,577)**
INVESTING ACTIVITIES			
Property and equipment additions		(437,944)	(297,374)
Cash flows used in Investing activities		**(437,944)**	**(297,374)**
FINANCING ACTIVITIES			
Finance lease payments	12	(211,926)	(153,711)
Repayment of long term debt		(45,240)	(40,000)
Proceeds of lomg term debt		209,137	-
Share repurchase	16b	-	(20,472)
Advances from related parties	15	-	400,000
Cash Flows Used in Financing Activities		**(48,029)**	**185,817**
(Decrease)/increase in cash		**(582,867)**	**(764,133)**
Cash, beginning of year		971,959	1,354,816
Cash, end of year		**389,092**	**971,959**
Non-cash transactions			
Shares issued for services and financing settlement		$ 407,333	$ 259,625

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

Ayurcann Holdings Corp
Consolidated Statements of Changes in Equity
For the years ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

	Note	Common shares		Reserves		Accumulated deficit	Total
		No. of shares	Dollar Amount	Warrants	Stock based payments		
As at June 30, 2022		**120,857,317**	**8,049,363**	**935,744**	**1,013,042**	**(5,104,163)**	**4,893,986**
RSUs converted for common shares	16b	1,226,350	116,503	-	-	-	116,503
Share buyback	16b	(225,000)	(20,472)	-	-	-	(20,472)
Share based payments	16b	4,677,255	259,625	-	-	-	259,625
Common shares issued on acquisition	5	32,352,941	2,750,000	-	-	-	2,750,000
Net loss and comprehensive loss for the period		-	-	-	-	(5,307,127)	(5,307,127)
As at June 30, 2023		**158,888,863**	**11,155,019**	**935,744**	**1,013,042**	**(10,411,290)**	**2,692,516**
RSUs converted for common shares		550,000	27,550	-	-	-	27,550
Share based payments	16b	35,265,000	1,763,200	-	-	-	1,763,200
Stock options issuance	16b	-	-	-	19,349	-	19,349
Net loss and comprehensive loss for the period		-	-	-	-	(3,967,736)	(3,967,736)
As at June 30, 2024		**194,703,863**	**12,945,769**	**935,744**	**1,032,391**	**(14,379,026)**	**534,878**

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

1. Nature of Operations and Going Concern

Ayurcann Holdings Corp. ("Ayurcann" or the "Company") was incorporated on August 26, 2010 under the Business Corporation Act (Ontario).

The Company's principal business activities consists of providing post-harvest outsourcing solutions to licensed cannabis producers and manufacture and distribution of cannabis products.

On April 8, 2021, the Company commenced trading on the Canadian Securities Exchange under the symbol "AYUR." On November 30 2021, the Company began trading on the OTC Markets Group Inc. (OTCQB) under the symbol "CDCLF". On January 22, 2022, the Company received approval from OTC Markets Group Inc., to change its symbol to "AYURF". On August 19, 2021, the Company inter-listed on the Frankfurt Stock Exchange under the symbol "3ZQ0." The Company's registered head office is 1080 Brock Road, Unit 6, Pickering, L1W3X4. The Company's website is https://ayurcann.com/.

On April 20, 2022, the Company announced that it received a flower sales license from Health Canada, which permits it to sell dried cannabis flower products in Canada through authorized distributors and retailers.

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

The Company incurred a net loss and comprehensive loss of $3,967,736 during the year ended June 30, 2024, and as at June 30, 2023, the Company's accumulated deficit was $14,379,026. At June 30, 2024, the Company has working capital deficit of $2,357,700.

Management has forecasted that the expected expenditure levels and contracted commitments will not significantly exceed the Company's net cash inflows and working capital for the next 12 months. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing, achieve profitable operations in the future, the continued support of shareholders and forbearance of creditors. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. Management is actively pursuing funding options required to meet the Company's requirements on an ongoing basis. There is no assurance that sources of funds will be available or obtained on favourable terms or obtained at all. Historically, the Company has obtained funding from the issuance of common shares, proceeds from the exercise of share purchase warrants, and short-and long-term debt issuances, however, there can be no assurances that the Company will continue to achieve this.

These consolidated financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the consolidated statements of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of October 28, 2024, the date the Board of Directors approved the statements.

Basis of measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

Functional and presentation currency

The financial statements are presented in Canadian dollars, the Company's functional currency.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries; Ayurcann Inc., Ayurcann Holding Corp. and Joint and Hustle & Shake Inc, which are 100% owned and domiciled in Canada.

The subsidiary is consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the period presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

3. Material Accounting Policies

Significant accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with IFRS requires management to make significant judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and related footnote disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future can differ from these estimates, which may be material to future financial statements.

Significant estimates and underlying assumptions are reviewed on a periodic basis. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined below:

- Valuation of accounts receivable - the Company estimates the collectability and timing of collection of its receivables, classifying them as current assets or long-term assets, and applies provisions for collectability when necessary.
- Valuation of inventory - the provision for obsolescence and the estimated net realizable value.
- Property and equipment - management is required to estimate the useful lives and residual value of property and equipment which are included in the statements of financial position and the related depreciation included in the statements of loss.
- Share-based payments - management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

- Estimated useful lives, amortization of intangible assets, and impairment testing - amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The assessment of any impairment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of assets.
- Business Combinations - classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be complex judgement. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. In determining the fair value of all identifiable assets and liabilities acquired, the most significant estimates relate to intangible assets. For or any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.
- Recoverability of deferred income tax assets The Company recognizes deferred tax assets only to the extent that it considers it probable that those assets will be recoverable. The Company makes assumptions about when deferred tax assets are probable to reverse, the extent to which it is probable that temporary differences will reverse and whether or not there will be sufficient taxable profits available to realize the tax assets when they do reverse. In making these judgments, the Company continually evaluates the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.
- Impairment of property, plant and equipment - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto.
- Going concern assumption - going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- Estimation of sales returns - estimation of sales returns requires management to make assumptions based on historical returns patterns, knowledge of customers and market expectations.

Revenue recognition

The Company earns revenue from the extraction and processing of cannabis oil-based products - both through processing its own biomass cannabis and providing same services to its customers. The Company offers its product lines, both B2B and B2C.

Gross revenue includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Net revenue from sale of goods, as presented in the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes, expected price discounts, and allowances for customer returns. Excise taxes are a production tax which is payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement.

Revenue from product sales and the related cost of goods sold are recognized on delivery of goods to the customer. Processing fee revenue is recognized on completion of services. For contracts that permit the customer to return a product, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, at the point of sale, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical experience and knowledge of the customer and market expectations. At the same time, the Company would also have a right to recover returned goods, so consequently a refund liability and a right to recover returned goods assets are recognized. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the assets and liability accordingly.

The Company accounts for revenue from a contract with a customer only when the following criteria are met:

- the contract has been approved by the parties to the contract;
- each partyís rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Cash & Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less or cashable without penalty which are readily convertible into a known amount of cash.

Property and equipment

Property and equipment are recorded at cost, net of accumulated depreciation, and impairment charges, if any. Depreciation is provided for over the assets' useful lives at the following annual rates and methods:

Furniture and fixtures	Declining balance method	20%
Leasehold improvements	Straight-line method	Lease term
Machinery and equipment	Declining balance method	20%
Computers	Declining balance method	20%
Signs	Declining balance method	20%
Motor vehicles	Declining balance method	20%

Intangible assets

Intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses. Intangible assets are amortized based on the cost less its estimated residual value over its estimated useful life on a straight-line basis. An intangible asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

The Company's intangible asset represents product trade names/ brands and its useful life was determined to be five years.

Impairment of non-current assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Finite life intangible assets not yet available for use are tested annually for impairment.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized in profit or loss for the period.

Current income tax

Current income tax expense represents the sum of income tax currently payable. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax losses, to the extent that it is probable that taxable Income will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income and comprehensive (loss) income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the closing exchange rate being the rate prevailing on the statement of financial position date. Non-monetary assets and liabilities are translated at historical rates of exchange at the time of the acquisition of assets or obligations incurred. Revenues and expenses are translated at the rate of exchange in effect at the date of the transactions. Foreign exchange translation gains and losses are recorded in operations in the period in which they occur.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled, or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"), and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition). After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives) or
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial instruments consist of the following:

Financial Instrument	
Cash and cash equivalent	FVTPL
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Due to related parties	Amortized cost
Lease liability	Amortized cost
Long term debt	Amortized cost

Fair value of financial instruments

The determination of the fair value of financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective as such it requires varying degrees of judgment. The use of judgment in valuing financial instruments includes assessing qualitative factors such on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the particular instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs derived either directly or indirectly from market prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As of June 30, 2024, except for cash, none of the Company's financial instruments are recorded at fair value in the statements of financial position. Cash is classified as Level 1.

Impairment of financial assets

The expected credit loss ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Allowances for ECL are recognized on all financial assets that are classified either at amortized cost or FVOCI and for all loan commitments and financial guarantees that are not measured at FVTPL. Allowances represent credit losses that reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either (i) 12-month ECL (also referred to as Stage 1 ECL), which comprises an allowance for all non-impaired financial instruments that have not experienced a significant increase in credit risk ("SICR") since initial recognition; or (ii) lifetime ECL (also referred to as Stage 2 ECL), which comprises an allowance for those financial instruments that have experienced a SICR since initial recognition; or where there is objective evidence of impairment (Stage 3 ECL). Lifetime ECL is recognized for Stage 2 and 3 financial instruments compared to 12-month ECL for Stage 1 financial instruments.

Inventories

Inventories consist of finished goods, work-in-process and raw materials and are valued at the lower of cost and net realizable value. Cost is determined using the standard cost method, which is updated regularly to reflect current conditions and approximate cost based on the weighted average formula. Cost of inventories includes cost of purchase (purchase price, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for obsolete, slow moving and defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties, which may be individuals or corporate entities, are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

Comprehensive loss per share

The basic comprehensive income (loss) per share is computed by dividing comprehensive income (loss) by the weighted average number of common shares outstanding during the current period. The diluted comprehensive income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period.

Equity-based payments

Equity-based share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The fair value of stock options and warrants granted is measured using the Black-Scholes option-pricing model, considering the terms and conditions upon which the instruments were granted.

The Company issues restricted share unit ("RSU") awards from time to time to directors, employees and consultants. RSU entitles the recipients to receive one common share of the Company on vesting. The fair value of RSU were determined by the Companyís share price on the date of the award and recorded in accordance with the vesting provisions and included as part of share-based compensation in the statements of loss and comprehensive loss for the period.

Repurchase of Shares

Repurchase of shares is recorded using the constructive retirement method which is used under the assumption that the repurchased shares will not be reissued in the future. Under this approach, the amount by which the repurchased amount was less than the stated capital of the shares, if any, is credited to contributed surplus. The stated capital of the repurchased shares is determined based on the original cost of the particular shares at the time of the repurchase.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation or impairment losses and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company primarily uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has furthermore applied judgment to determine the applicable discount rate. The discount rate is based on the Company's incremental borrowing rate and reflects the current market assessments of the time value of money and the associated risks for which the estimates of future cash flows have not been adjusted for.

4. Capital Management

The Company defines capital as total shareholdersí equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the growth and development of its operations and bring new products to market and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Companyís management to sustain future development of the business. The Company will continue to assess new opportunities and seek to acquire an interest in growth situations if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Companyís approach to capital management during the year ended June 30, 2024. The Company is not subject to externally imposed capital requirements.

5. Acquisition

Joints and Hustle & Shake Inc.

On September 7, 2022, the Company completed the acquisition of Joints and Hustle & Shake Inc. ("Joints and Hustle") by issuing 32,352,941 common shares of the Company in exchange for 100% of issued and outstanding shares of Joints and Hustle. Accordingly, Joints and Hustle is now a wholly owned subsidiary of the Company. The consideration shares are subject to a statutory hold period of four months and one day and, pursuant to the terms of the Share Purchase Agreement, (i) have been deposited into escrow and are to be released every six months in 25% allotments; and (ii) are subject to post-closing downward adjustments pursuant to the terms and conditions of the escrow agreement (no such adjustments required in final accounting).

Since Joints and Hustle did not meet the definition of a business under IFRS 3 - Business Combinations,the acquisition was accounted for as a purchase of Joints and Hustle assets. The consideration paid was determined as equity-settled share-based payments under IFRS 2, at the fair value of the equity of the Company issued to the shareholders of Joints and Hustle on the date of closing as noted above. IFRS 2 requires the shares issued for the acquisition of the net assets of Joints and Hustle to be measured at the fair value of the net assets, unless the fair value cannot be reliably estimated.

(Expressed in Canadian Dollars)

The following represents the preliminary fair value allocation to identifiable net assets acquired on the acquisition date.

Intangible Assets	
Brand	$2,750,000
Fair Value of Consideration Paid	
Common Shares	$2,750,000

See Note 10, intangible assets.

6. Trade and Other Receivables

Trade and other receivables are collectible from customer sales. The following is an aging analysis of the Company's trade and other receivables:

	Current	31 to 60	61 to 90	91+	Total
Balance Outstanding, June 30, 2022	**$ 1,399,916**	**$ -**	**$ -**	**$ -**	**$ 1,399,916**
Change	3,299,739	5,544	-	135,272	3,440,555
Balance Outstanding, June 30, 2023	**4,699,655**	**5,544**	**-**	**135,272**	**4,840,471**
Change	510,931	(5,544)	10,350	(121,094)	394,643
Balance Outstanding, June 30, 2024	**$ 5,210,586**	**$ -**	**$ 10,350**	**$ 14,178**	**$ 5,235,114**

As at June 30, 2024 the Company recorded bad debt expense of $64,577 (June 30, 2023 - $352,520). The company held no collateral for any receivable amounts outstanding as at June 30, 2024 and June 30, 2023.

7. Inventories

	As at June 30, 2024	**As at June 30, 2023**
Work in Process	$ 402,873	$ 283,137
Finished Goods	483,981	215,014
Bulk	454,239	793,345
Facility Related/Other	-	120,016
Packaging materials, cartridges and others	419,236	971,298
Packaged goods	1,077,080	230,594
Subcontractor and Labour Inventory	1,046,637	-
Biomass	1,478,553	558,206
Inventory in transit	-	105,471
Total Inventory	**$ 5,362,600**	**$ 3,277,081**

The Company recorded write-downs to net realizable value for obsolete and slow-moving inventories of $461,103 during the year ending June 30, 2024 (2023 - $nil). Inventories recognized as an expense in the years ending June 30, 2024, and 2023 are equal to the cost of goods sold presented in the statements of comprehensive loss.

(Expressed in Canadian Dollars)

8. Property and Equipment

	Furniture and Fixtures	Improvements	Machinery and Equipment	Computer	Signs	Vehicle	Total
Cost							
As at June 30, 2022	$ 23,330	$ 993,146	$ 407,730	$ 30,300	$ 825	$ -	$ 1,455,330
Additions	-	8,787	284,973	3,645	-	-	297,405
As at June 30, 2023	23,330	1,001,933	692,702	33,946	825	-	1,752,735
Additions	4,508	19,056	184,143	17,345	-	212,894	437,944
As at June 30, 2024	$ 27,837	$ 1,020,989	$ 876,845	$ 51,290	$ 825	$ 212,894	$ 2,190,680
Accumulated Depreciation							
As at June 30, 2022	$ 6,716	$ 391,380	$ 93,097	$ 24,522	$ 342	$ -	$ 516,057
Depreciation	3,323	121,232	91,424	4,189	97	-	220,264
As at June 30, 2023	10,039	512,612	184,521	28,711	439	-	736,321
Depreciation	3,071	362,317	100,628	3,601	77	64,924	534,619
As at June 30, 2024	$ 13,110	$ 874,929	$ 285,149	$ 32,312	$ 516	$ 64,924	$ 1,270,940
Net carrying value							
As at June 30, 2023	$ 13,291	$ 489,322	$ 508,181	$ 5,235	$ 386	$ -	$ 1,016,415
As at June 30, 2024	**$ 14,727**	**$ 146,060**	**$ 591,696**	**$ 18,979**	**$ 309**	**$ 147,970**	**$ 919,740**

For the year ending June 30, 2024, the Company recognized $518,993 in depreciation (2023 - $215,978), recorded in cost of goods sold in the consolidated statements of net loss and comprehensive loss.

9. Right-of-Use Asset

Cost	
As at June 30, 2022	546,550
ROU asset added during the year	-
As at June 30, 2023	546,550
ROU asset added during the year	705,431
As at June 30, 2024	1,251,981
Accumulated Amortization	
As at June 30, 2022	297,820
ROU amortization for the year	133,391
As at June 30, 2023	431,211
ROU amortization for the year	157,312
As at June 30, 2024	180,802
Net Carrying Value	
As at June 30, 2023	135,339
As at June 30, 2024	**683,458**

Right-of-use assets comprise of production facility lease and are amortized over 60 months.

(Expressed in Canadian Dollars)

10. Intangibles

"Joints", "Hustle & Shake" and "Happy & Stoned" brands	
Cost	
As at July 1, 2022	-
Additions in the period	2,750,000
As at June 30, 2023	2,750,000
Additions in the period	-
As at June 30, 2024	**2,750,000**
Accumulated Amortization	
As at June 30, 2022	-
Depreciation in the period	(446,027)
As at June 30, 2023	(446,027)
Depreciation in the period	(550,000)
As at June 30, 2024	**(996,027)**
Net carrying value	
As at June 30, 2023	2,303,973
As at June 30, 2024	**1,753,973**

Year ended June 30, 2024

On June 30, 2024, the Company performed a qualitative impairment assessment on intangible assets in accordance with IAS 36. Management concluded no impairment charge was required as a result of the impairment testing performed. Brand performance remains in line with management's expectation.

Year ended June 30, 2023

On June 30, 2023, the Company performed an impairment test on its intangible assets. The recoverable amount was determined based on their value-in-use using Level 3 inputs in a discounted cash flow model. The key assumptions used in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of 5 years (with a terminal year thereafter);
- Terminal value of growth rate: The terminal growth rate of 5.9% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth;
- EBITDA margin of 13% - 15%;
- Working capital investment is 31.5% of revenues; and
- Discount rate: The post tax discount rates was 24.5%.

11. Trade and Other Payables

Trade and other payables are principally comprised of amounts outstanding for trade purchases on operating activities. The following comprises trade and other payables:

	As at June 30, 2024	As at June 30, 2023
Trade Payables	4,165,442	2,067,473
Excise tax	6,529,538	5,586,106
Accrued and other current liabilities	1,919,065	1,756,965
Trade and Other Payables	**12,614,045**	**9,410,544**

(Expressed in Canadian Dollars)

The standard maturity terms of the Company's trade and other payables are 30 to 60 days.

12. Lease Liability

		Lease Liability
Balance Outstanding, June 30, 2022	**$**	**316,084**
Interest		28,757
Repayments		(153,711)
Adjustments		(21,008)
Amortization		10,774
Balance Outstanding, June 30, 2023	**$**	**180,896**
Additions		705,431
Interest		55,212
Repayments		(210,817)
Adjustments		(889)
Balance outstanding, June 30, 2024	**$**	**729,833**
Allocated as:		
Current	$	144,261
Non-current		585,572
Total	**$**	**729,833**

The lease payments are discounted using an interest rate of 12%-15%, which is the Company's incremental borrowing rate. The first lease expired on March 24, 2024, and was renewed for another 5 years expiring on March 31, 2029. The second lease began November 1, 2020 and has an expiry date of October 31, 2025. The third lease began September 1, 2023 and has an expiry date of August 31, 2028.

13. Long-Term Debt and Other Liabilities

In October 2023, the Company recorded two vehicle loans for the total of $194,560. The loans secured by the property and bear interest 5.5%. As at June 30, 2024, $129,194.45 is classified as long-term and $35,791 classified as current liabilities.

On April 17, 2020, the Company received a $40,000 loan through the Canada Emergency Response Account ("CEBA"). In December 2020, the Company received an additional $20,000 through the CEBA program. During the year ended June 30, 2023, an extension on the non-interest bearing loan was granted until December 31, 2023, at which time if paid back in full, $20,000 is forgivable, and if not, the loan becomes a three-year interest-bearing term loan. During the year ended June 30, 2023, the loan was repaid.

14. Key Management Compensation

The Company defines key management personnel as its President/COO, Chief Executive Officer and Directors. Key management compensation for the year ending June 30, 2024 comprised wages, management consulting fees and management bonus of $959,250 (2023 - $2,034,295) and stock option/RSU share based compensation of $nil (2023 - $116,503). See Note 16.

15. Related Party Transactions and Balances

As at June 30, 2024, there were promissory notes of $200,000 payable to each of the Companyís CEO and President (2023 - $200,000 each). Interest incurred on promissory notes to the CEO and COO is $143,133 for the year ended June 30, 2024 (June 30 2023 - $46,935). The promissory notes are payable on receipt of certain accounts receivable balances outstanding at the end of the year. The receivables are expected to be collected within a short period of time and thus the promissory notes classified within current liabilities.

Included in the accounts payable and accrued liabilities as at June 30, 2024 is $197,000 (June 30, 2023 - $nil) due to to directors fro consulting fees.

During the year ended June 30, 2023, $1,512,000 bonus payable to CEO and COO of the Company was accrued for and was paid out in January 2024 by issuing 30,240,000 common shares at $0.05/share. There was no such bonus were declared in fiscal 2024.

16. Share Capital

a. Authorized Shares

An unlimited number of common shares

b. Issued Shares

For the year ended June 30, 2023:

On July 19, 2022, the Company granted 1,226,350 restricted share units at a deemed price of $0.095 to certain directors, officers, employees, and consultants of the Company pursuant to the Company's RSU plan. The RSU's vested on grant and were immediately exercised into common shares.

On September 7, 2022 (See Note 5) the Company issued 32,352,941 common shares on closing of the acquisition of Joints and Hustle at a fair value of $2,750,000.

On October 17, 2022, the Company issued 1,327,254 common shares to settle debt owing to 2388765 Ontario Inc. a company controlled by Igal Sudman, the Chief Executive Officer of the Company ("238") and IIPAC Inc. a company controlled by Roman Buzaker , the Chief Financial Officer of the Company ("IIPAC") in the amount of $60,000 (the "Transaction"). As part of the Transaction, 238 and IIPAC each converted $30,000 of their respective debt owed by the Company into 475,435 common shares in the capital of the Company ("Common Shares"), at a deemed price of $0.0631 per Common Share. In addition, the Company settled debt owing to the Board of Directors in the amount of $23,750 into 376,384 common shares at a deemed price of $0.0631 per Common Share.

On January 10, 2023, the Company announced it had settled debt owing to 238 and IIPAC and the directors of the Company by issuing 1,675,000 common shares for the settlement of $83,750 in debt.

On April 11, 2023, the Company announced it had settled debt owing to 238 and IIPAC and the directors of the Company by issuing 1,675,000 common shares for the settlement of $83,750 in debt.

During the year ended June 30, 2023, under the Companyís normal course issuer bid the Company acquired 225,000 common shares under the share buy-back program at prices between $0.05 - $0.11 per common share for aggregate consideration of $20,472.

For the year ended June 30, 2024:

On July 17, 2023, the Company issued 1,675,000 shares of $83,750 as aggregate quarterly management fee payment to its directors at a price of $0.05 per Common Share.

On October 2, 2023, the Company issued 1,675,000 shares of $83,750 as aggregate quarterly management fee payment to its directors at a price of $0.05 per Common Share.

On January 5, 2024, the Company issued 30,240,000 shares in payment of fiscal 2023 management bonus, in equal shares to each 2388765 Ontario Inc. a company controlled by Igal Sudman, the Chief Executive Officer of the Company and 1000677847 Ontario Inc a company controlled by Roman Buzaker, the Chief Financial Officer of the Company at a deemed price of $0.05 per Common Share.

On January 9, 2024, the Company issued 1,675,000 shares of $83,750 as aggregate quarterly management fee payment to its directors at a price of $0.05 per Common Share.

(Expressed in Canadian Dollars)

c. Warrants

A summary of the Company's warrants for the year ended June 30, 2024 and June 30, 2023 is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance Outstanding, June 30, 2022	**15,289,504**	**$ 0.21**
Expired warrants (i)	(5,878,000)	$ (0.14)
Balance Outstanding, March 31, 2023	**9,411,504**	**$ 0.16**
Expired warrants (i)	(1,602,556)	$ (0.38)
Balance outstanding, June 30, 2024	**7,808,948**	**$ 0.22**

(i) During the year ended June 30, 2024, 1,602,556 warrants expired unexercised (year ended June 30, 2023 - 5,878,000).

As at June 30, 2024, the following warrants were outstanding and exercisable:

Date of Grant	ımber of Warrants	Exercise Price	Expiry Date
October 6, 2021	7,808,948	0.22	August 6, 2024
	7,808,948		

d. Stock options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

	Number of Options	Weighted Average Exercise Price
Balance outstanding, June 30, 2022	**2,622,068**	**$ 0.18**
Expired (ii)	(888,688)	$ 0.26
Balance outstanding, June 30, 2023	**1,733,380**	**$ 0.14**
Issued (i)	700,000	$ 0.05
Expired (ii)	(1,600,147)	$ 0.14
Balance outstanding, June 30, 2024	**833,233**	**$ 0.07**

(ii) On January 5, 2024, the Company issued 700,000 options. The options are exercisable at $0.05 per common share until January 5, 2027. The options vest immediately. The grant date fair value of $19,349 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.03, expected dividend yield of 0%, expected volatility of 171.32%, risk-free rate of return of 3.83% and an expected maturity of 3 years.

(iii) For the year ended June 30, 2024, 1,600,147 options of the Company expired unexercised (year ended June 30, 2023, 888,688).

The following table reflects the stock options issued and outstanding as of June 30, 2024:

Expiry Date		Exercise Price	Options Outstanding	Options Exerciseable
April 11, 2025	$	0.170	133,233	133,233
January 5, 2027		0.050	700,000	700,000
	$	**0.069**	**833,233**	**833,233**

17. Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentation on the consolidated statement of financial position and the consolidated statements of loss and deficit. Net loss previously reported has not been affected by these reclassifications.

18. Financial Instruments and Risk Factors

a) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable, due to related parties and accrued liabilities approximate their fair values due to the short-term or demand nature of these balances. The Company's financial instruments are exposed to certain financial risks, as summarized below.

b) Credit risk

Credit risk arises from trade accounts receivable. The maximum exposure to credit risk as at June 30, 2024 is $5,235,114 which represents accounts receivable in the consolidated statement of financial position.
The Company's credit risk is attributable to its accounts receivable, which are comprised of trade accounts receivable. The credit quality of the Company's customers is considered high and is monitored on an ongoing basis. As at June 30, 2024, the Company recorded a provision for bad debt of $64,577 (June 30, 2023 - $352,520).

c) Liquidity risk

The business of the Company necessitates the management of liquidity risk. The Company's objective is to mitigate short-term liquidity risk by maintaining adequate working capital reserves and its long-term liquidity risk through good relations with external capital markets.

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. Most of the Companyís financial liabilities are due within one year except for finance lease obligations.

The Company manages liquidity risk through the management of its capital structure and resources to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. Management keeps track of its operational needs and creates budgets and cash flow estimates to determine cash flow requirements for general business and working capital needs, as well as growth projects. The Company's ability to meet its operational needs is dependent on future operating results and cash flows, which are determined by economic, financial, competitive, market, regulatory factors and other factors.

d) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

i. The Company does not significant have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.
ii. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to interest rate risk from any of its liabilities.

(Expressed in Canadian Dollars)

19. Income Taxes

The Company's provision for income taxes differs from the amounts computed by applying the basic current rate of 26.5% for Ontario and to the loss for the year before taxes as shown in the following table:

		For the year ended June 30, 2024		For the year ended June 30, 2023
Income before income taxes	$	(3,967,735)	$	(5,307,125)
Combined statutory tax rate		26.5%		26.5%
Income tax recovery at statutory rate	$	(1,051,450)	$	(1,406,388)
Permanent differences and other		(203,119)		(5,850)
Temporary differences and others		(52,630)		722,649
Share/debt issuance costs		(30,463)		344,777
Prior year losses utilized		-		-
Change in deferred income tax asset not recognized		931,424		344,812
		-		-

Deferred Taxes

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		As at June 30, 2024		As at June 30, 2023
Capital assets	$	(264,813)	$	(520,901)
Non-capital losses carried forward		1,989,512		1,314,176
Deferred transaction costs		33,672		33,672
Deferred tax asset (liability)		1,758,371		826,947
Deferred tax assets not recognized		(1,758,371)		(826,947)
Deferred tax asset (Liability)		-		-

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's non-capital losses carry forward balance is $7,507,591, with expiry dates between 2040 and 2044.

20. Subsequent events

On August 6, 2024, 7,808,948 warrants with an average price of $0.22 originally granted on August 6, 2021, expired unexercised.

On June 26, 2024, Ayurcann Holdings entered into a business combination with Arogo Capital Acquisition Corporation (“Arogo”) (NASDAQ: AOGOU, AOGO, AOGOW), a special purpose acquisition company and its subsidiaries at a combined enterprise value estimated to be U.S. $210 million. Upon completion of the business combination, Ayurcann is expected to have on its balance sheet up to US$19.6 million in cash (assuming no redemptions by public stockholders of Arogo and before payment of transaction expenses and deferred underwriting fees) to continue their sustained revenue growth and growing market share.