



AYURCANN

AYURCANN HOLDINGS CORP.

Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2024

(Expressed in Canadian Dollars)

(Unaudited)

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Ayurcann Holdings Corp. (“Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under International Financial Reporting Standards (IFRS)) and reflect management’s best estimates and judgment based on information currently available. The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

Condensed Interim Consolidated Statement of Financial Position
As at September 30, 2024 and June 30, 2024
(unaudited - Expressed in Canadian dollars)

<i>As at</i>	Note	September 30, 2024	June 30, 2024
ASSETS			
Cash		\$ 891,783	\$ 389,093
Restricted cash		250,000	250,000
Trade and other receivables	6	5,989,318	5,235,114
Prepaid expenses and deposits		204,072	238,759
Income tax receivable		21,146	21,146
Inventories	7	6,180,820	5,362,600
Current Assets		13,537,140	11,496,711
Property and equipment	8	889,955	919,740
Right-of-use assets	9	640,783	683,458
Intangible assets	5, 10	1,616,473	1,753,973
Non-Current Assets		3,147,211	3,357,170
Total Assets		16,684,351	14,853,881
LIABILITIES			
Trade and other payables	11	\$ 15,094,178	\$ 12,614,045
Harmonized sales tax payable		159,718	410,313
Current portion of lease liability	12	151,028	144,261
Current portion of long term debt	12	36,287	35,792
Due to related parties	14, 15	400,000	400,000
Current Liabilities		15,841,211	13,604,411
Lease liability	12	545,197	585,572
Other long term liabilities	12	119,775	129,019
Non-Current Liabilities		664,972	714,591
Total Liabilities		16,506,183	14,319,002
SHAREHOLDERS' EQUITY			
Common share capital	15b	\$ 12,945,769	\$ 12,945,769
Warrant reserve	15c	955,093	955,093
Stock based payments	15d	1,013,042	1,013,042
Accumulated deficit		(14,735,736)	(14,379,025)
Total Shareholders' Equity		178,168	534,879
Total Liabilities and Shareholders' Equity		16,684,351	14,853,881
Nature of operations and going concern	1		
Subsequent events	18		

Approved on behalf of the Board of Directors:

"Igal Sudman" Director

"Roman Buzaker" Director

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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
For the three months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended September 30,	
		2024	2023
Revenues			
Product Sales (B2C)		\$ 14,122,982	\$ 11,784,915
Product Sales (B2B)		188,566	(10,831)
Services		448,720	-
Gross Revenues		14,760,268	11,774,084
Agency and Service Fees		(102,783)	(127,776)
Excise Duties		(6,352,315)	(5,178,294)
Net Revenue		8,305,169	6,468,014
Cost of Goods Sold		(5,129,189)	(4,196,249)
Gross Margin		3,175,980	2,271,765
Salaries and Wages		1,081,186	404,647
Office and General		404,201	734,257
Sales and Marketing		1,334,436	777,761
Professional Fees		296,936	206,356
Depreciation of Property and Equipment	8	61,174	739
Amortization of Intangible Assets	10	137,500	137,500
Share Based Payments	13, 15b	-	83,750
Expenses		3,315,433	2,345,010
Operating Income/(Loss)		(139,452)	(73,245)
Finance Costs		193,965	135,754
Other Expense/(Income)		23,294	-
Net Loss and Comprehensive Loss		\$ (356,711)	\$ (208,999)
Weighted Average Shares Outstanding			
- Basic and Diluted		194,703,863	160,486,062
Basic and Diluted Loss per Share		\$ (0.002)	\$ (0.001)

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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

Condensed Interim Consolidated Statement of Cash Flows
For the three months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended September 30,	
		2024	2023
OPERATING ACTIVITIES			
Net loss for the year		\$ (356,711)	\$ (208,999)
Items Not Affecting Cash			
Depreciation of property and equipment		68,782	54,223
Amortization of intangible assets		137,500	137,500
Amortization of right-of-use assets	9	42,675	28,348
Share based payments		-	83,750
Interest on lease liability	9	25,989	-
Change in Non-Cash Working Capital Items			
Trade and other receivables		(754,205)	(855,379)
Prepaid expenses		34,687	22,006
Harmonized sales tax payable		(250,595)	369,819
Inventories		(818,220)	(474,950)
Trade and other payables		2,482,364	1,498,036
Cash Flows Provided (Used) for Operating Activities		612,265	654,352
INVESTING ACTIVITIES			
Property and equipment additions		(38,998)	(85,841)
Cash flows used in Investing activities		(38,998)	(85,841)
FINANCING ACTIVITIES			
Finance lease payments		(59,598)	(39,359)
Repayment of long term debt		(10,979)	(10,979)
Cash Flows Used in Financing Activities		(70,577)	(50,338)
(Decrease)/increase in cash		502,690	518,173
Cash, beginning of period		389,093	971,959
Cash, end of period		891,783	1,490,132
Non-cash transactions			
Shares issued for services and financing settlement		\$ -	\$ 83,750

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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended September 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars)

	Note	Common shares		Reserves		Accumulated deficit	Total
		No. of shares	Dollar Amount	Warrants	Stock based payments		
As at June 30, 2023		158,888,863	11,155,019	935,744	1,013,042	(10,411,290)	2,692,516
Share based payments	15b	1,675,000	83,750	-	-	-	83,750
Net loss and comprehensive loss for the period		-	-	-	-	(208,999)	(208,999)
As at September 30, 2023		160,563,863	11,238,769	935,744	1,013,042	(10,620,289)	2,567,266
RSUs converted for common shares	15b	550,000	27,500	-	-	-	27,500
Share based payments	15b	33,590,000	1,679,500	-	-	-	1,679,500
Stock options issuance	15d	-	-	19,349	-	-	19,349
Net loss and comprehensive loss for the period		-	-	-	-	(3,758,736)	(3,758,736)
As at June 30, 2024		194,703,863	12,945,769	955,093	1,013,042	(14,379,025)	534,879
Net loss and comprehensive loss for the period		-	-	-	-	(356,711)	(356,711)
As at September 30, 2024		194,703,863	12,945,769	955,093	1,013,042	(14,735,736)	178,168

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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

1. Nature of Operations and Going Concern

Ayurcann Inc. was incorporated under the Canada Business Corporations Act ("CBCA") on June 22, 2018. Pacific Coal Corp. ("Company") was incorporated on August 26, 2010, under the Business Corporation Act (Ontario). On April 12, 2011, the Company changed its name to Canada Coal Inc.

On March 26, 2021, the Company was renamed to Ayurcann Holdings Corp., following the reverse takeover transaction (RTO) with Ayurcann Inc., which became a wholly owned subsidiary of Ayurcann Holdings Corp. Pursuant to RTO accounting standards, these consolidated financial statements reflect the continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, Ayurcann Inc. The Company's principal business activity consists of providing post-harvest outsourcing solutions to licensed cannabis producers.

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 will allow the Company 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 \$356,711 during three months ended September 30, 2024. The Company's accumulated deficit was \$14,735,736. A large portion of the accumulated deficit is related to the one-time transaction costs as a result of the reverse-takeover transaction. At March 31, 2024, the Company had working capital of negative \$2,304,070.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. 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 favorable 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 be 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 condensed audited consolidated financial statements are based on IFRSs issued and outstanding as of November 27, 2024, the date the Board of Directors approved the statements.

Basis of measurement

These condensed audited 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.

3. Significant Accounting Policies

Significant accounting estimates and judgments

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:

- Recovery 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.
- Convertible promissory note is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is calculated as the discounted cash flows for the convertible debenture using the effective interest rate which was the estimated rate for a promissory note without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible promissory note and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.
- Property and equipment and right-of-use assets - management is required to estimate the useful lives and residual value of property and equipment and right-of-use assets 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 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.

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

- Recoverability of deferred income tax assets – assessing whether the realization of tax losses against future taxable income for income tax purposes is probable.
- Impairment of property, plant and equipment and right-of-use assets - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto; and
- 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.

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.

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 party's 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.

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.

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:

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

Furniture and fixtures	Declining balance method	20%
Leasehold improvements	Straight-line method	Lease term
Machinery and equipment	Declining balance method	20%
Computer	Declining balance method	55%
Signs	Declining balance method	20%

Impairment of non-current assets

Property and equipment are assessed for indications of impairment at the end of each reporting period. If such indications exist, then the recoverable amount of the asset is estimated.

An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 risks specific to the asset. Impairment losses are recognized in operations for the year in which they are identified.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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.

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

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 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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

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 September 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.

Compound Instruments

The components of compound instruments (convertible promissory note) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash of another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debenture are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures using the effective interest method.

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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

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, warrants, and restricted share units (“RSU’s”) granted is measured using the Black-Scholes option-pricing model, considering the terms and conditions upon which the instruments were granted.

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.

Government grants and assistance

Grants and subsidies are recognized at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all the attached conditions. Fair value signifies the amount received in cash. The grants and subsidies are presented as ‘other fees in operations.

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

Leases (“IFRS 16”)

IFRS 16 introduced a single, on-balance sheet accounting model for leases. The Company, as a lessee, has recognized right-of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

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.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary. 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.

4. Capital Management

The Company defines capital as total shareholders' 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 Company's 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 Company's approach to capital management during the period ending September 30, 2024. The Company is not subject to externally imposed capital requirements.

5. Acquisition

Joins and Hustle & Shake Inc.

On September 7, 2022, the Company completed the acquisition of Joins and Hustle & Shake Inc. by issuing 32,352,941 common shares of the Company in exchange for 100% of issued and outstanding shares of Joins and Hustle & Shake Inc. Accordingly, Joins and Hustle & Shake Inc. (“Joins 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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

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.

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.

The following represents the preliminary fair value allocation to identifiable net assets acquired at March 31, 2023. Remeasurement may be made up to the finalization of the purchase price allocation which cannot be later than September 7, 2023 (one year after the transaction per IFRS 3.45):

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

The Company plans to amortize its intangible assets over its useful life of 5 years. The Company recorded an amortization expense of \$137,500 for the three months ended September 30, 2024, and \$1,179,360.73 since inception.

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, 2023	\$	4,684,285	\$ 199,526	\$ (87,687)	\$ 44,347	\$ 4,840,471
Change		830,069	(194,607)	196,580	375,857	1,207,899
Balance Outstanding, September 30, 2023		5,514,354	4,919	108,893	420,204	6,048,370
Change		(294,456)	(14,232)	(98,543)	11,071	(396,160)
Balance Outstanding, June 30, 2024		5,219,898	(9,313)	10,350	431,275	5,652,210
Change		767,811	9,313	(10,350)	(12,569)	754,205
Balance Outstanding, September 30, 2024	\$	5,987,709	\$ -	\$ -	\$ 418,706	\$ 6,406,415

As of September 30, 2024, the Company recorded a bad debt expense of \$nil. (\$nil as at September 31, 2023). As at June 30, 2024 the Company had a bad debt expense of \$64,576.69. The company held no collateral for any receivable amounts outstanding as at June 30, 2024.

7. Inventories

	30/Sep/24	30/Jun/24
Inventory Asset	\$ -	\$ 23,294
Work in Process	-	402,873
Finished Goods	602,123	483,981
Bulk	995,529	430,943
Packaging materials, cartridges and others	1,974,451	419,236
Packaged goods	767,751	1,077,080
Subcontractor and Labour Inventory	1,672,735	1,046,637
Biomass	168,230	1,478,555
Inventory in transit	2	-
Total Inventory	\$ 6,180,820	\$ 5,362,600

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

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

8. Property and Equipment

	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Computer	Signs	Vehicle	Total
Cost							
As at June 30, 2023	\$ 23,330	\$ 1,001,933	\$ 692,702	\$ 33,946	\$ 825	\$ -	\$ 1,752,735
Additions	1,620	3,300	80,921	-	-	-	85,841
As at September 30, 2023	24,950	1,005,233	773,623	33,946	825	-	1,838,576
Additions	2,888	15,756	103,222	17,345	-	212,894	352,104
As at June 30, 2024	27,837	1,020,989	876,845	51,290	825	212,894	2,190,680
Additions	691	-	17,416	20,891	-	-	38,998
As at September 30, 2024	\$ 28,529	\$ 1,020,989	\$ 894,261	\$ 72,181	\$ 825	\$ 212,894	\$ 2,229,678
Accumulated Depreciation							
As at June 30, 2023	\$ 10,039	\$ 512,612	\$ 184,521	\$ 28,711	\$ 439	\$ -	\$ 736,321
Depreciation	692	21,224	28,266	720	19	-	50,921
As at September 30, 2023	10,730	533,836	212,787	29,430	458	-	787,242
Depreciation	3,110	368,026	101,937	7,135	73	72,200	552,481
As at June 30, 2024	\$ 13,110	\$ 874,929	\$ 285,149	\$ 32,312	\$ 516	\$ 64,924	\$ 1,270,940
Depreciation	730	26,933	29,575	4,254	15	7,276	68,782
As at September 30, 2024	\$ 13,840	\$ 901,862	\$ 314,724	\$ 36,566	\$ 532	\$ 72,200	\$ 1,339,723
Net carrying value							
As at September 30, 2023	\$ 14,219	\$ 471,397	\$ 560,836	\$ 4,515	\$ 367	\$ -	\$ 1,051,334
As at September 30, 2024	\$ 13,997	\$ 119,127	\$ 562,121	\$ 14,725	\$ 293	\$ 140,694	\$ 850,957

For the three months ending September 30, 2024, the Company recognized \$68,782 in depreciation (September 30, 2023 - \$50,921) in cost of goods sold in the consolidated statements of net loss and comprehensive loss.

9. Right-of-Use Asset and Lease Liability

	ROU Asset	Lease Liability
Balance Outstanding, June 30, 2023	\$ 135,339	\$ 180,896
Additions	-	-
Interest	-	4,760
Repayments	-	(39,359)
Adjustments	-	(5,116)
Amortization	(28,348)	2,559
Balance Outstanding, September 30, 2023	\$ 106,991	\$ 143,739
Additions	705,431	705,431
Interest	-	57,728
Repayments	-	(171,458)
Adjustments	-	(11,214)
Amortization	(128,965)	5,606
Balance Outstanding, June 30, 2024	\$ 683,458	\$ 729,833
Additions	-	-
Interest	-	26,478
Repayments	-	(59,598)
Adjustments	-	(979)
Amortization	(42,675)	489
Balance outstanding, September 30, 2024	\$ 640,783	\$ 696,225
Allocated as:		
Current	-	\$ 151,028
Non-current	\$ 640,783	545,197
Total	\$ 640,783	\$ 696,225

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

The lease payments are discounted using an interest rate of between 12% and 15%, which is the Company's incremental borrowing rate. The first lease expired on March 24, 2024 and was renewed. The new lease expiration date is March 31, 2029. The second lease began November 1, 2020 and has an expiry date of October 31, 2025. The third lease began on July 1, 2023 and has an expiry date of June 30, 2028.

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

10. Intangibles

"Joints" and "Hustle & Shake" brands	
Cost	
As at June 30, 2023	2,750,000
Additions in the period	-
As at September 30, 2023	2,750,000
Additions in the period	-
As at June 30, 2024	2,750,000
Additions in the period	-
As at September 30, 2024	2,750,000
Accumulated Amortization	
As at June 30, 2023	(446,027)
Depreciation in the period	(137,500)
As at September 30, 2023	(583,527)
Depreciation in the period	(412,500)
As at June 30, 2024	(996,027)
Depreciation in the period	(137,500)
As at September 30, 2024	(1,133,527)
Net carrying value	
As at September 30, 2023	2,166,473
As at September 30, 2024	1,616,473

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:

	30/Jun/23	30/Sep/23	30/Jun/24	30/Sep/24
Trade Payables	8,283,593	9,269,377	10,389,575	13,335,481
Other Payables	1,142,448	1,644,820	2,224,470	1,758,697
Trade and Other Payables	9,426,041	10,914,197	12,614,045	15,094,178

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

The following is an aging analysis of the Company's trade and other payables:

	Current	31 to 60	61 to 90	91+	Total
Balance Outstanding, June 30, 2023	\$ 5,621,281	\$ 896,131	\$ 863,396	\$ 902,786	\$ 8,283,593
Change	386,086	499,139	826,807	(726,248)	985,784
Balance Outstanding, September 30, 2023	\$ 6,007,367	\$ 1,395,270	\$ 1,690,202	\$ 176,538	\$ 9,269,377
Change	752,424	(866,887)	(1,462,129)	2,696,790	1,120,198
Balance Outstanding, June 30, 2024	6,759,791	528,383	228,073	2,873,327	10,389,575
Change	354,062	1,717,220	1,980,112	(1,105,487)	2,945,906
Balance Outstanding, September 30, 2024	\$ 7,113,853	\$ 2,245,603	\$ 2,208,185	\$ 1,767,841	\$ 13,335,481

As at September 30, 2024 the Company had \$13,335,481 of Trade A/P (September 30, 2023 - \$9,269,377) of which 70% were outstanding for 60 days and below.

12. Long-Term Debt and Other Liabilities

In October 2023, the Company recorded two vehicle loans for the total of \$ 224,005.18. The loans secured by the property and bear interest 5.5%. As at September 30, 2024, \$119,963.08 is classified as long-term and \$36,287 classified as current liabilities.

13. Key Management Compensation

The Company defines key management personnel as its Officers and Directors.

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

Key management compensation for the three months ended September 30, 2024 comprised wages and management consulting fees of \$240,000 (September 30, 2023 – \$212,750, of which \$83,750 was in the form of share-based payments. See Note 15).

14. Related Party Transactions and Balances

As at September 30, 2024, there were promissory notes of \$400,000 payable to the CEO and the COO (September 30, 2023 - \$400,000) in equal shares. Interest incurred on related party balances payable to the CEO and COO was at \$10,192.47. This interest is included in Trade and Other Payable.

15. Share Capital

a. Authorized Shares

An unlimited number of common shares

b. Issued Shares

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.

For the three months ended September 30, 2024:

No shares were issued during three months ended September 30, 2024.

c. Warrants

A summary of the Company’s warrants for the three months ended September 30, 2024 is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance Outstanding, June 30, 2023	9,411,504	\$ 0.247
Expired warrants	(1,602,556)	(0.380)
Balance Outstanding, June 30, 2024	7,808,948	\$ 0.220
Expired warrants	(7,808,948)	0.220
Balance outstanding, September 30, 2024	-	\$ -

During three months ended September 30, 2024, 7,808,948 warrants expired unexercised. As at September 30, 2024, there were no warrants outstanding and exercisable:

Date of Grant	Number of Warrants	Exercise Price	Expiry Date
06/Aug/21	7,808,948	0.22	06/Aug/24
	7,808,948		

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

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, 2023	1,733,380	\$ 0.140
Issued	700,000	\$ 0.050
Expired	(1,600,147)	0.154
Balance outstanding, June 30, 2024	833,233	\$ 0.069
Balance outstanding, September 30, 2024	833,233	\$ 0.069

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.

For the year ended June 30, 2024, 1,600,147 options of the Company expired unexercised.

There were no options issued or expired during three months ended September 30, 2024.

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

Expiry Date	Exercise Price	Options Outstanding	Options Exercisable
11/Apr/25	\$ 0.170	133,233	133,233
05/Jan/27	0.050	700,000	700,000
Total	\$ 0.069	833,233	833,233

16. Reclassification

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

17. Financial Instruments and Risk Factors

(a) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable 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 September 30, 2024 is \$5,989,318.41 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 on-going basis.

AYURCANN HOLDINGS CORP.
Condensed Interim Consolidated Financial Statements and Notes

(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 Company's 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 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 as the CEBA loan will be a fixed interest when it converts to a term loan.

18. Subsequent events

There were no subsequent events.