



Nextleaf Solutions Ltd.

**Condensed Interim Consolidated Financial Statements
For the six months ended
March 31, 2024**

**Unaudited – Prepared by Management
(Expressed in Canadian Dollars)**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Nextleaf Solutions Ltd. (“the Company”) for the six months ended March 31, 2024, have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed interim financial statements by an entity’s auditor.

Nextleaf Solutions Ltd.**Condensed Interim Consolidated Statements of Financial Position****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

As at March 31, 2024 and September 30, 2023

	Note	March 31, 2024 \$	September 30, 2023 \$
Assets			
Current assets			
Cash		831,571	898,899
Receivables and prepayments	3	2,752,865	1,656,430
Inventory	4	2,575,251	2,243,740
		6,159,687	4,799,069
Non-current assets			
Deposits		124,697	88,913
Property and equipment	5	3,082,962	3,371,686
Intangible assets	6	253,825	277,367
		3,461,484	3,737,966
Total assets		9,621,171	8,537,035
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	4,733,187	3,913,608
Lease liability - current	5	71,252	65,053
Government loan	14	-	40,000
		4,804,439	4,018,661
Non-current liabilities			
Lease liability	5	347,458	384,693
		347,458	384,693
Total liabilities		5,151,897	4,403,354
Shareholders' equity			
Share capital	8	26,475,586	26,225,580
Reserves	8	1,535,678	4,145,740
Deficit		(23,541,990)	(26,237,639)
Total shareholders' equity		4,469,274	4,133,681
Total liabilities and shareholders' equity		9,621,171	8,537,035
Nature of operations and going concern	1		

Approved on behalf of the Board of Directors on May 28, 2024:

*"Fred Bonner"***Director**

*"Sherry Boodram"***Director**

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

Nextleaf Solutions Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three and six months ended March 31, 2024 and March 31, 2023

	Note	Three months ended		Six months ended	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
		\$	\$	\$	\$
Revenue	10	4,618,706	2,576,657	8,740,399	4,004,453
Excise taxes		(1,203,385)	(402,562)	(2,121,550)	(642,880)
Net revenue		3,415,321	2,174,095	6,618,849	3,361,573
Cost of sales		2,464,805	1,726,080	4,705,868	2,888,343
Gross profit		950,516	448,015	1,912,981	473,230
Expenses					
Administrative expenses (recovery)		73,712	(19,095)	172,576	115,264
Amortization	6	11,772	11,672	23,542	23,438
Depreciation	5	6,442	3,557	12,884	7,115
Finance costs	5	14,487	7,667	29,496	15,526
Investor relations and marketing		206,811	132,164	380,857	182,980
Professional fees and consulting	9	47,350	210,160	189,321	272,455
Research and operational supplies		66,453	51,497	134,893	58,221
Salaries and fees, net	9,14	499,731	75,561	811,892	277,422
Share-based payments	8,9	1,054,288	-	1,054,288	-
		(1,981,046)	(473,183)	(2,809,749)	(952,421)
Convertible note financing fee	7	-	-	-	(105,000)
Loss recovery on receivables, net	10	3,657	-	2,716	-
Other income	14	15,000	-	15,000	-
		18,657	-	17,716	(105,000)
Loss and comprehensive loss for the period		(1,011,873)	(25,168)	(879,052)	(584,191)
Loss per share					
Weighted average number of common shares outstanding:					
Basic #	8	160,057,214	145,939,313	159,751,892	148,513,064
Diluted #	8	160,057,214	145,939,313	159,751,892	148,513,064
Basic loss per share	8	(0.01)	(0.00)	(0.01)	(0.00)
Diluted loss per share	8	(0.01)	(0.00)	(0.01)	(0.00)

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

Nextleaf Solutions Ltd.**Condensed Interim Consolidated Statements of Cash Flows****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024 and March 31, 2023

	Note	March 31, 2024 \$	March 31, 2023 \$
Operating activities			
Loss for the period		(879,052)	(584,181)
Adjustments for:			
Amortization		23,542	23,438
Depreciation	5	326,364	343,276
Finance costs		29,496	15,526
Shares issued for salaries and fees	8	40,178	-
Share-based payments		1,054,288	-
Convertible note financing fee		-	105,000
Loss recovery on receivables, net		(2,716)	-
Other income	14	(10,000)	-
Non-cash working capital items:			
Receivables and prepayments		(1,053,540)	(681,033)
Inventory		(305,088)	666,802
Deposits		(35,784)	(3,000)
Accounts payable and accrued liabilities		819,579	432,891
		7,267	318,719
Investing activities			
Purchases of property and equipment	5	(64,063)	(5,029)
		(64,063)	(5,029)
Financing activities			
Lease payments	5	(60,532)	(35,172)
Repayment of government loan	14	(30,000)	-
Repayment of convertible debenture	7	-	(247,679)
Issuance of common shares		80,000	-
		(10,532)	(282,851)
Change in cash		(67,328)	30,839
Cash, beginning of period		898,899	377,716
Cash, end of period		831,571	408,555
Supplemental cash flow information	11		

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

Nextleaf Solutions Ltd.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024 and March 31, 2023

	Common shares	Share	Reserves	Deficit	Total
	#	capital	\$	\$	\$
		\$	\$	\$	\$
September 30, 2022	143,392,390	25,330,449	4,145,740	(26,460,973)	3,015,216
Shares issued - conversion of convertible note	11,100,000	625,500	-	-	625,500
Shares issued on settlement of accounts payable	678,000	33,900	-	-	33,900
Loss and comprehensive loss for the period	-	-	-	(584,181)	(584,181)
March 31, 2023	155,170,390	25,989,849	4,145,740	(27,045,154)	3,090,435
September 30, 2023	159,456,420	26,225,580	4,145,740	(26,237,639)	4,133,681
Exercise of warrants	1,000,000	80,000	-	-	80,000
Re-allocated on expiry of options	-	-	(3,574,701)	3,574,701	-
Re-allocated on expiry of warrants	-	89,649	(89,649)	-	-
Shares issued - salaries and benefits	535,714	80,357	-	-	80,357
Share-based payments	-	-	1,054,288	-	1,054,288
Loss and comprehensive loss for the period	-	-	-	(879,052)	(879,052)
March 31, 2024	160,992,134	26,475,586	1,535,678	(23,541,990)	4,469,274

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

Nextleaf Solutions Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended March 31, 2024, and March 31, 2023

1. NATURE OF OPERATIONS AND GOING CONCERN

Nextleaf Solutions Ltd. ("Nextleaf" or the "Company") was incorporated under the laws of the province of British Columbia on December 8, 2016. The Company's head office is located at #3 – 68 Schooner Street, Coquitlam, British Columbia, V3B 7B1 and its registered and records office is located at #600 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. The Company's common shares trade on the Canadian Securities Exchange under the trading symbol "OILS".

The Company through its wholly-owned subsidiary, Nextleaf Labs Ltd. ("Labs"), is a licensed Canadian cannabis processor and biotech company, with a portfolio of federally regulated emerging consumer brands, cannabis derivative products, and high-purity and high-potency bulk ingredients. The Company manufactures several products, across various categories for white label clients and house brands. Formulated products and bulk ingredients are sold domestically to business-to-business (B2B) partners and exported to applicable international jurisdictions. With national distribution within Canada, the Company's brands are sold through both medical and recreational channels and includes its "Glacial Gold" brand and its "High Plains" house brand.

These condensed interim consolidated financial statements (the "financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to 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. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence.

As at March 31, 2024, the Company had working capital of \$1,355,248 (September 30, 2023 – \$780,408). Although the Company has been profitable in certain recent fiscal quarters, and successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will consistently generate sufficient revenue, profitability, and positive cash flows from operations. The continuance of operations is dependent on the Company continuing to generate income from commercial operations and positive cashflows, and continuing to obtain financing on acceptable terms, if and as necessary.

2. MATERIAL ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended September 30, 2023, and do not include all the information required for full annual financial statements in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts in these financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

Nextleaf Solutions Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024, and March 31, 2023

2. MATERIAL ACCOUNTING POLICIES (continued)**Principles of consolidation**

These financial statements include the accounts of the Company and its wholly owned subsidiaries as follows:

Nextleaf Innovations Ltd.	100%	Extraction solutions company
Nextleaf Labs Ltd.	100%	Licensed processor

A subsidiary is an entity controlled by the Company and is included in these financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed where necessary to align them with the policies adopted by the Company.

Material accounting policies

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its consolidated financial statements for the year ended September 30, 2024. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements.

New accounting policies

Certain pronouncements have been issued by the IASB or IFRIC that are effective for the Company's accounting period beginning on October 1, 2023. With the exception of changing the Company's accounting policies from "significant" to "material", the Company has reviewed all other updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these material accounting policies.

Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for the Company's accounting period beginning on or after October 1, 2024. The Company has reviewed these updates and determined that none are applicable or consequential to the Company and have been excluded from discussion within these material accounting policies.

Nextleaf Solutions Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024, and March 31, 2023

3. RECEIVABLES AND PREPAYMENTS

Receivables and prepayments comprise the following:

	March 31, 2024	September 30, 2023
	\$	\$
Prepaid expenses	157,326	99,855
Sales tax recoverable	-	14,965
Trade receivables	2,595,539	1,541,610
	2,752,865	1,656,430

4. INVENTORY

Inventory is comprised of the following:

	March 31, 2024	September 30, 2023
	\$	\$
Production work in progress - distillate	331,228	412,047
Cannabis products	522,563	744,717
Supplies and hardware	1,173,946	754,178
Finished goods - distillate	547,514	332,798
	2,575,251	2,243,740

Inventory expensed to cost of sales during the six months ended March 31, 2024, totaled \$4,540,254 (2023 - \$2,114,229).

Nextleaf Solutions Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended March 31, 2024, and March 31, 2023

5. PROPERTY AND EQUIPMENT

	Extraction and manufacturing equipment \$	Leasehold improvements \$	Right-of-use asset \$	Furniture and equipment \$	Total \$
<u>Cost</u>					
September 30, 2022	3,581,451	3,108,837	380,160	203,876	7,274,324
Additions	18,533	-	175,713	5,029	199,275
September 30, 2023	3,599,984	3,108,837	555,873	208,905	7,473,599
<u>Accumulated depreciation</u>					
September 30, 2022	2,129,606	992,299	130,248	121,987	3,374,140
Depreciation (1)	291,588	367,085	52,215	16,885	727,773
September 30, 2023	2,421,194	1,359,384	182,463	138,872	4,101,913
<u>Cost</u>					
September 30, 2023	3,599,984	3,108,837	555,873	208,905	7,473,599
Additions	34,809	16,780	-	12,474	64,063
March 31, 2024	3,634,793	3,125,617	555,873	221,379	7,537,662
<u>Accumulated depreciation</u>					
September 30, 2023	2,421,194	1,359,384	182,463	138,872	4,101,913
Depreciation (1)	120,850	184,750	39,306	7,881	352,787
March 31, 2024	2,542,044	1,544,134	221,769	146,753	4,454,700
<u>Net book value</u>					
September 30, 2023	1,178,790	1,749,453	373,410	70,033	3,371,686
March 31, 2024	1,092,749	1,581,483	334,104	74,626	3,082,962

(1) Depreciation for the six months ended March 31, 2024 and March 31, 2023, is allocated as follows:

	March 31, 2024 \$	March 31, 2023 \$
Cost of sales	313,480	336,161
Inventory	26,423	14,593
Operating expenses	12,884	7,115
	352,787	357,869

Nextleaf Solutions Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024, and March 31, 2023

5. PROPERTY AND EQUIPMENT (continued)**Right-of-use asset and lease liability**

The Company has an agreement to lease its Licenced processing facility and corporate office in Coquitlam, BC. The Company has determined that the agreement is a lease contract as defined under IFRS 16 – *Leases* ("IFRS 16"). The Company's lease commenced on July 1, 2018, and was renewed effective July 1, 2023, until June 30, 2028. The renewal during the year ended September 30, 2023, resulted in a modified lease liability calculated with a discount rate of 13.5% (former lease liability was calculated with a discount rate of 10%).

A reconciliation of the carrying amount of the lease liability as at March 31, 2024 and September 30, 2023, and changes during the period/year then ended is as follows:

	March 31, 2024	September 30, 2023
	\$	\$
Beginning of period/year	449,746	318,634
Lease payments	(60,532)	(83,031)
Extension of lease	-	175,713
Lease interest (finance costs)	29,496	38,430
End of period/year	418,710	449,746
Current portion of lease liability	71,252	65,053
Non-current portion of lease liability	347,458	384,693
	418,710	449,746
Maturity analysis - contractual undiscounted cash flows		
Less than one year	123,518	121,882
One to five years	426,996	489,164
	550,514	611,046

During the six months ended March 31, 2024, the Company incurred \$19,705 (2023 - \$16,579) in variable lease payments allocated between cost of sales and rent expense (administrative expenses) that were not included within the measurement of the lease liability.

Short-term leases are leases with a lease term of twelve months or less. As at March 31, 2024 and September 30, 2023, the Company did not have any low value leases or short-term leases.

Nextleaf Solutions Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024, and March 31, 2023

6. INTANGIBLE ASSETS

A continuity of intangible assets is as follows:

	Issued patents \$	Licences \$	Brand \$	Total \$
<u>Cost</u>				
September 30, 2022	40,352	270,325	110,000	1,046,677
September 30, 2023	40,352	270,325	110,000	1,046,677
<u>Accumulated amortization</u>				
September 30, 2022	6,973	74,024	15,249	722,246
Amortization	2,018	34,046	11,000	47,064
September 30, 2023	8,991	108,070	26,249	769,310
<u>Cost</u>				
September 30, 2023	40,352	270,325	110,000	1,046,677
March 31, 2024	40,352	270,325	110,000	1,046,677
<u>Accumulated amortization</u>				
September 30, 2023	8,991	108,070	26,249	769,310
Amortization	1,009	17,033	5,500	23,542
March 31, 2024	10,000	125,103	31,749	792,852
<u>Net book value</u>				
September 30, 2023	31,361	162,255	83,751	277,367
March 31, 2024	30,352	145,222	78,251	253,825

7. CONVERTIBLE DEBENTUREOriginal terms on issuance:

In March 2021, the Company executed a Securities Purchase Agreement (the “SPA”) with a creditor (the “holder”) whereby the Company issued a senior secured convertible note (the “Note”) and warrants to the holder for gross proceeds of \$3,000,000 (the “cash value”). The initial principal value of the Note was \$3,300,000 whereby \$300,000 of which was initially recognized as a deferred financing charge (liability). The Note was secured by a security interest subordinate to all existing and future property undertakings (during the term of the Note) by the Company and by assignment of collateral by way of a General Security Agreement over the assets of the business. After four amendments to the Note, the Note was settled in full during the year ended September 30, 2023.

In connection with the original issuance of the Note, the Company issued a total of 6,875,000 warrants to the holder, which after an amendment resulting in a replacement for an equal quantity of warrants, the warrants were exercisable at \$0.08 each with an expiry of September 21, 2027. There was no value attributed to the warrants on original issuance, and no amount was recognized on the replacement of these warrants in 2022.

Nextleaf Solutions Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024, and March 31, 2023

7. CONVERTIBLE DEBENTURE (continued)Amendments to the Note:

On December 30, 2022, the Note was amended a fourth time (the "Fourth Amendment") (see other amendments below which were all in 2022) whereby the maturity date was extended to June 1, 2023 (matured, see above), an additional forbearance fee of \$75,000 was recognized as an increase to the principal balance of the Note, and the conversion price was amended to \$0.055 per share. Additionally, a \$30,000 administration fee was added to the Note resulting in an aggregate convertible note financing fee of \$105,000 recognized during the year ended September 30, 2023.

During the year ended September 30, 2022, the Company and the holder executed three amendments to the Note which collectively resulted in: (i) a forbearance fee of \$100,000 recognized as an increase to the principal balance of the Note; (ii) an issuance of 1,000,000 warrants to the holder exercisable at \$0.08 each and expiring on September 21, 2027; and (iii) the cancellation of the 6,875,000 warrants originally issued and a replacement of an equal number of warrants (as described above). All amendments to the Note during the year ended September 30, 2022, resulted in an aggregate \$147,700 convertible note financing fee recognized during the year then ended.

Conversions of the Note:

During the year ended September 30, 2023, the Company issued 15,386,030 common shares to the holder pursuant to conversions of principal totaling \$861,231, for full and final settlement of the Note prior to its June 1, 2023, maturity date.

A reconciliation of the carrying amount of the convertible debenture as at March 31, 2024 and September 30, 2023, and changes during the period/year then ended is as follows:

	Liability	Deferred	Total
	\$	financing cost	\$
	\$	\$	\$
Balance, September 30, 2022	1,003,910	-	1,003,910
Debt financing fee	105,000	-	105,000
Repayments	(247,679)	-	(247,679)
Conversion to common shares	(861,231)	-	(861,231)
Balance, September 30, 2023 and March 31, 2024	-	-	-

Nextleaf Solutions Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended March 31, 2024, and March 31, 2023

8. SHAREHOLDERS' EQUITY

The authorized share capital of the Company consists of unlimited common shares without par value. All issued shares are fully paid.

Issued and outstanding

Transactions for the issue of share capital during the six months ended March 31, 2024:

- The Company issued 1,000,000 common shares on the exercise of warrants at price of \$0.08 each for proceeds of \$80,000.
- The Company issued 535,714 common shares with a fair value of \$80,357 (\$0.15 each) to certain employees and executives of the Company for past and future services. As at March 31, 2024, \$40,179 was recognized within prepaid expenses for future services, and \$40,178 was recognized within salaries and benefits for past services.

Transactions for the issue of share capital during the six months ended March 31, 2023:

- Between January and March 2023, the Company issued 11,100,000 common shares to the holder of the Note (Note 7), in respect of the conversion of \$625,500 of the principal value of the Note.
- In February 2023, the Company issued 678,000 common shares at a fair value of \$33,900 to a consultant of the Company in settlement of accounts payable. There was no gain or loss recognized on settlement of the accounts payable.

Employee Equity Participation Plan

In 2020, the Company implemented an Employee Equity Participation Plan (the "Plan"). The Plan is fully voluntary and permits non-executive employees to receive common shares of the Company in lieu of a portion of an employee's cash compensation. As at March 31, 2024, 244,444 common shares of the Company (September 30, 2023 – 244,444) have been issued to non-executive employees under the Plan in previous years.

No shares were issued under the Plan during the six months ended March 31, 2024, and March 31, 2023.

Shareholder Rights Plan

In November 2023, the Company adopted a shareholder rights plan (the "Rights Plan") which provides for the issuance of one right for each outstanding common share of the Company. Pursuant to the terms of the Rights Plan, any bid that meets certain criteria intended to protect the interests of all shareholders will be deemed a "permitted bid". These criteria require, among other things, that the bid be made by means of a take-over bid circular to all holders of voting shares other than the offeror under the bid and be left open for at least 105 days. In the event a take-over bid does not meet the permitted requirements of the Rights Plan, the rights issued under the Rights Plan will entitle shareholders, other than any shareholder or shareholders involved in the take-over bid, to purchase additional common shares of the Company at a specified exercise price which is a substantial discount to the market price. The Rights Plan was approved by the Company's shareholders in December 2023.

Stock options

The Company has adopted a stock option plan (the "Plan") which provides eligible Directors, Officers, employees, and consultants with the opportunity to acquire common shares of the Company. The maximum number of common shares issuable under the Plan shall not exceed 20% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options. The stock options have a maximum term of five years from the date of grant, and vest over periods as determined by the Board of Directors. The exercise price of stock options granted under the Plan will be determined by the Board of Directors but may not be less than the closing market price of the Company's common shares on the date of grant.

Nextleaf Solutions Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended March 31, 2024, and March 31, 2023

8. SHAREHOLDERS' EQUITY (continued)

Stock options (continued)

A summary of the status of the Company's stock options as at March 31, 2024 and September 30, 2023, and changes during the period/year then ended is as follows:

	Period ended March 31, 2024		Year ended September 30, 2023	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	16,120,000	0.35	16,120,000	0.35
Granted	9,925,000	0.14	-	-
Expired/Cancelled	(14,160,000)	0.34	-	-
Options outstanding, end of period/year	11,885,000	0.17	16,120,000	0.35

As at March 31, 2024, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Weighted average exercise price \$	Expiry date	Weighted average remaining life (years)
150,000	150,000	0.50	July 8, 2024	0.27
150,000	150,000	0.50	October 16, 2024	0.55
250,000	250,000	0.25	December 10, 2025	1.70
390,000	390,000	0.35	January 13, 2026	1.79
160,000	160,000	0.35	February 15, 2026	1.88
790,000	790,000	0.275	August 4, 2026	2.35
70,000	70,000	0.175	April 19, 2027	3.05
9,925,000	9,925,000	0.14	March 1, 2029	4.92
11,885,000	11,885,000	0.17		4.41

The Company recorded the fair value of the stock options granted during the six months ended March 31, 2024, using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. The fair values were determined using the following weighted average assumptions:

	March 31, 2024
Risk-free interest rate	3.50%
Expected life of options (years)	5.00
Expected volatility	100%
Dividend rate	0%
Weighted average fair value of per option granted	\$ 0.11

Total share-based payment expense incurred for the six months ended March 31, 2024, was \$1,054,288 (2023 - \$nil).

During the six months ended March 31, 2024, 13,220,000 stock options expired unexercised, and 1,275,000 stock options were cancelled. Accordingly, their original fair value of \$3,574,701 was reversed from reserves and credited to deficit.

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For the six months ended March 31, 2024, and March 31, 2023

8. SHAREHOLDERS' EQUITY (continued)**Warrants**

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to warrants attached to units sold in completed private placements. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model. Additionally, warrants have been issued as an incentive to complete convertible debenture financings which are fair valued using the Black-Scholes option pricing model and allocated to the equity component of the convertible debenture on a relative fair value basis with the equity conversion feature.

A summary of the Company's common share purchase warrants as at March 31, 2024 and September 30, 2023, and changes during the period/year then ended is as follows:

	Period ended March 31, 2024		Year ended September 30, 2023	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of period/year	24,568,712	0.21	24,568,712	0.21
Exercised	(1,000,000)	0.08	-	-
Expired	(16,693,712)	0.27	-	-
Warrants outstanding, end of period/year	6,875,000	0.08	24,568,712	0.21

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2024:

Warrants #	Weighted average exercise price \$	Expiry Date	Weighted average remaining life (years)
5,875,000	0.08	September 21, 2027	3.48
500,000	0.08	September 21, 2027	3.48
500,000	0.08	September 21, 2027	3.48
6,875,000	0.08		3.48

During the six months ended March 31, 2024, certain warrants that were originally issued as compensatory warrants expired unexercised. Accordingly, their original fair value of \$89,649 was reversed from reserves and credited to share capital.

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8. SHAREHOLDERS' EQUITY (continued)**Reserves**

Reserves are comprised of the accumulated fair value of stock options recognized as share-based payments, and the fair value of finders' or brokers' warrants issued on private placements and as other forms of consideration. Reserves are increased by the fair value of these items on vesting/issuance and are reduced by corresponding amounts when stock options or warrants expire, are exercised, or are cancelled.

	Stock options \$	Warrants \$	Total \$
September 30, 2022	3,971,746	173,994	4,145,740
March 31, 2023	3,971,746	173,994	4,145,740
September 30, 2023	3,971,746	173,994	4,145,740
Options expired	(3,574,701)	-	(3,574,701)
Options vesting	1,054,288	-	1,054,288
Warrants expired	-	(89,649)	(89,649)
March 31, 2024	1,451,333	84,345	1,535,678

Loss per share

The calculation of basic and diluted loss per share for the six months ended March 31, 2024, was based on the loss attributable to common shareholders of \$879,052 (2023 – \$584,191) and a weighted average number of common shares outstanding of 159,751,892 (2023 – 148,513,064).

All stock options and warrants were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

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For the six months ended March 31, 2024, and March 31, 2023

9. RELATED PARTY TRANSACTIONS

Key management personnel include people having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Corporate Officers, and companies controlled by them.

Key management personnel compensation

The remuneration of key management for the six months ended March 31, 2024, and March 31, 2023, is as follows:

	March 31, 2024	March 31, 2023
	\$	\$
Directors' fees (within professional fees and consulting)	21,000	15,000
Executive salaries and fees - paid or accrued	-	168,000
Executive salaries and fees - shares issued	21,429	-
	42,429	183,000

During the six months ended March 31, 2024, 142,857 common shares with a fair value of \$21,429 (\$0.15 each) were issued for executive salaries and fees. Of this amount, \$10,715 was included within prepaid expenses as at March 31, 2024, with the remaining \$10,714 recognized through salaries and fees for the six months then ended.

During the six months ended March 31, 2024, the Company granted 2,300,000 stock options to officers and directors of the Company exercisable at \$0.14 each which vested immediately. Accordingly, share-based payments expense of \$244,319 was recognized on grant.

Related party balances

Amounts payable to related parties as at March 31, 2024 and September 30, 2023, are as follows:

	March 31, 2024	September 30, 2023
	\$	\$
Balances included in accounts payable and accrued liabilities:		
Directors' fees	-	49,300
Management fees	-	192,683
	-	241,983

On September 8, 2023, the service contract between the Company and a company controlled by Paul Pedersen, former CEO, was terminated. On December 19, 2023, Paul Pedersen also resigned as a Company Director. The related party balances as at September 30, 2023, remain presented in the table above.

Nextleaf Solutions Ltd.

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For the six months ended March 31, 2024, and March 31, 2023

10. FINANCIAL INSTRUMENTS

Fair value

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

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

Classification of financial instruments

Financial assets:	Classification:	Subsequent measurement:
Cash	FVTPL	Fair value
Trade receivables (Note 3)	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

Financial liabilities:	Classification:	Subsequent measurement:
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Lease liability	Other financial liabilities	Amortized cost
Government loan	Other financial liabilities	Amortized cost

The Company's financial instruments other than cash, approximate their fair values. Cash, under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities. The carrying values of the Company's trade receivables, deposits, accounts payable and accrued liabilities, and government loan all approximate their fair values due to their short-term nature. The carrying value of the Company's lease liability approximates fair value as it bears a rate of interest commensurate with market rates.

Economic dependence and revenue from sale of goods

Economic dependence

Economic dependence risk is the risk of reliance upon a select number of customers which significantly impacts the financial performance of the Company. During the six months ended March 31, 2024, the Company's cannabis concentrate sales (sale of bulk distillate) and product sales were generated from multiple customers, with a single customer accounting for approximately 53% (2023 – 42%) of total revenue.

Revenue from sale of goods and services

The Company disaggregated its revenues from the sale of goods between sales of bulk distillate, branded (Glacial Gold) vape pens, oils, and softgels ("branded extract products"), and private label which includes toll processing and other services. Each type of revenue is produced by a single operating/production division.

Revenue stream	Period ended March 31, 2024				Period ended March 31, 2023			
	Bulk distillate	Branded extract products	Private label	Total	Bulk distillate	Branded extract products	Private label	Total
Wholesale	1,023,615	6,879,389	837,395	8,740,399	922,975	2,231,560	849,918	4,004,453
British Columbia	360,608	4,607,697	500,918	5,469,223	168,332	1,700,094	-	1,868,426
Rest of Canada	663,007	2,271,692	336,477	3,271,176	754,643	531,466	849,918	2,136,027
Total	1,023,615	6,879,389	837,395	8,740,399	922,975	2,231,560	849,918	4,004,453

Nextleaf Solutions Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

For the six months ended March 31, 2024, and March 31, 2023

10. FINANCIAL INSTRUMENTS (continued)**Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As at March 31, 2024, credit risk for the Company arises from cash, trade receivables, and deposits. The carrying amount of these financial assets represents the maximum credit exposure as at March 31, 2024.

Cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk on cash is considered insignificant. As at March 31, 2024, the Company holds certain trade receivables that are aged in excess of 90 days to which management has determined the credit risk to be low.

Impairment of financial assets

The Company has the following financial assets that are subject to the expected credit loss model:

- Trade receivables; and
- Deposits.

While cash is also subject to the impairment requirements of IFRS 9, the risk is insignificant.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for its trade receivables, and deposits. The Company applies the general approach using practical expedients to loans receivable which involves recognition at each reporting date of a loss allowance based on a 12-month expected credit loss model without the requirement to re-assess whether any significant increases in credit risk have occurred at each reporting date.

To measure the expected credit losses, trade receivables, and deposits are grouped by debtor, and each debtor's circumstances are reviewed. The expected loss amount, if any, is based on historical payment profiles, and the corresponding historical credit losses experienced within specific periods for the debtors.

During the six months ended March 31, 2024, the Company recognized a net recovery of historical loss provisions associated with certain debtors of \$2,716 (2023 - \$nil).

Amounts are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment plan with the Company (if applicable), and failure by the debtor to make contractual payments for a period of greater than 120 days past due, or shorter if specific circumstances suggest otherwise.

Impairment losses are presented as loss provision on receivables. Subsequent recoveries of amounts previously written-off are credited against the same line item and named loss recoveries on receivables.

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For the six months ended March 31, 2024, and March 31, 2023

10. FINANCIAL INSTRUMENTS (continued)**Liquidity risk**

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past, however, there is no assurance that it will be able to do so in the future. Refer to Note 1 for disclosures on the Company's working capital and ability to continue as a going concern.

Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk as follows:

(i) Currency risk

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk as it incurs transactions in the United States dollar.

As at March 31, 2024, the Company held cash, and accounts payable and accrued liabilities in United States dollars. A 10% change in the exchange rate between the United States dollar and the Canadian dollar, would have impacted loss and comprehensive loss for the period by approximately \$18,000 (2023 - \$25,000).

(ii) Interest rate risk

The Company is not exposed to interest rate risk because it does not have any assets or liabilities subject to variable rates of interest.

(iii) Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations and the ability to obtain financing, due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant. The Company is also subject to price risk in respect of the raw materials acquired, in which fluctuations may also be significant and impact future operating results.

11. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash financing activities during the six months ended March 31, 2024, and March 31, 2023, as follows:

	March 31, 2024	March 31, 2023
	\$	\$
Non-cash financing activities:		
Shares issued for debt settlements	-	33,900
Shares issued on conversion of convertible note	-	625,500
Forbearance fee recognized within convertible debenture (convertible note financing fee)	-	105,000

During the six months ended March 31, 2024, and March 31, 2023, no amounts were paid for interest or income tax expenses.

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12. CAPITAL RISK MANAGEMENT

The Company defines capital as the components of shareholders' equity. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company can meet its financial obligations as they come due.

The Company manages its capital structure to maximize its financial flexibility adjusting it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. 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 six months ended March 31, 2024. The Company is not subject to externally imposed capital requirements.

13. SEGMENTED INFORMATION

The Company has a single reportable segment being the provision of goods and services to the cannabis industry in Canada. All the Company's revenues are generated in Canada, and its non-current assets are located in Canada.

14. GOVERNMENT ASSISTANCE**National Research Council of Canada's Industrial Research Assistance Program ("NRC-IRAP"):**

In October 2022, the Company executed a Contribution Agreement with NRC-IRAP for non-repayable contributions to the Company for the reimbursement of up to 80% of certain salaries paid to employees of the Company for up to \$75,000 through to September 30, 2023 (received during the year ended September 30, 2023). Amounts were recognized as a reduction to salaries and fees, and the agreement is completed.

Canadian Emergency Business Account ("CEBA")

In 2020, the Company qualified for a government-guaranteed line of credit (government loan) of \$40,000 which was interest-free until January 18, 2024. The loan was part of the CEBA benefit in relation to COVID-19 relief. As the loan was repaid by January 18, 2024, a balance forgiveness of \$10,000 applied (recognized within other income).