



Greenway
Greenhouse
Cannabis
Corporation

**GREENWAY GREENHOUSE CANNABIS
CORPORATION**

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three Months
Ended June 30, 2022

(Unaudited – In Canadian Dollars)

NOTICE TO READER

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 the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim 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 interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Financial Position
(Unaudited - in Canadian dollars)

		June 30, 2022	March 31, 2022
	Notes	\$	\$
Assets			
Current assets			
Cash		5,407,168	7,480,082
Accounts receivable		1,179,133	288,634
Government remittances receivable		51,192	325,196
Inventory	4	2,254,534	2,325,518
Biological assets	5	439,513	459,442
Prepaid expenses and deposits		54,196	109,346
		9,385,736	10,988,218
Property, plant and equipment	6	30,066,344	24,643,771
		39,452,080	35,631,989
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	2,871,455	2,097,258
Current portion of lease liabilities	7	338,500	221,000
Current portion of long-term debt	8	5,652,500	5,653,170
		8,862,455	7,971,428
Lease liabilities	7	8,929,963	5,900,370
Long-term debt	8	4,757,947	4,900,000
		22,550,365	18,771,798
Shareholders' Equity			
Share capital	9	23,697,389	23,697,389
Warrants reserve	14	165,690	165,690
Share-based payments reserve	13	4,940,291	4,845,891
Deficit		(11,901,655)	(11,848,779)
		16,901,715	16,860,191
		39,452,080	35,631,989
Subsequent events (note 19)			

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

Approved on behalf of the Board of Directors

/s/ Jamie D'Alimonte Director

/s/ Darren Peddle Director

Greenway Greenhouse Cannabis Corporation

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited - in Canadian dollars)

	Notes	For the three months ended	
		June 30,	
		2022	2021
		\$	\$
Revenue		1,963,709	-
Cost of sales	10	1,375,551	-
Gross profit before fair value adjustments		588,158	-
Fair value adjustment on sale of inventory	4	(253,930)	-
Fair value adjustment on growth of biological assets	5	506,269	756,279
Gross profit		840,497	756,279
Operating Expenses			
General and administration	15	326,521	236,143
Amortization	6	126,243	80,255
Share-based compensation	13	94,400	36,885
Professional fees		49,569	63,936
Marketing and sales		80,724	25,833
Research and development		-	20,255
Transaction costs		-	19,515
		677,457	482,822
Operating income		163,040	273,457
Interest expense	7,8,10	(278,416)	(205,195)
Rental income	7,10	62,500	62,500
Income (loss) and comprehensive income (loss)		(52,876)	130,762
Weighted average number of common shares - basic		130,924,747	121,632,019
Weighted average number of common shares - diluted		130,924,747	121,632,019
Loss per share - basic	16	(0.00)	0.00
Loss per share - diluted	16	(0.00)	0.00

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

Greenway Greenhouse Cannabis Corporation

Condensed Interim Statements of Changes in Equity

(Unaudited - in Canadian dollars)

		Number of	Share	Warrants	Share-based	Deficit	Total
	Notes	common shares	capital	reserve	payments		
For the three months ended June 30, 2021			amount		reserve		
			\$	\$	\$	\$	\$
Balance, March 31, 2021		171,681,566	13,728,767	-	5,460,857	(8,925,865)	10,263,759
Private placement, net of issuance costs	9	2,458,000	1,212,786	-	-	-	1,212,786
Shares cancelled		(52,507,547)	-	-	-	-	-
Share-based payments	13	-	-	-	36,885	-	36,885
Net income		-	-	-	-	130,762	130,762
Balance, June 30, 2021		121,632,019	14,941,553	-	5,497,742	(8,795,103)	11,644,192

		Number of	Share	Warrants	Share-based	Deficit	Total
	Notes	common shares	capital	reserve	payments		
For the three months ended June 30, 2022			amount		reserve		
			\$	\$	\$	\$	\$
Balance, March 31, 2022		130,924,747	23,697,389	165,690	4,845,891	(11,848,779)	16,860,191
Share-based payments	13	-	-	-	94,400	-	94,400
Net loss		-	-	-	-	(52,876)	(52,876)
Balance, June 30, 2022		130,924,747	23,697,389	165,690	4,940,291	(11,901,655)	16,901,715

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

Greenway Greenhouse Cannabis Corporation

Condensed Interim Statements of Cash Flows

(Unaudited - in Canadian dollars)

	Notes	For the three months ended	
		June 30,	
		2022	2021
		\$	\$
Cash provided by (used in) operating activities:			
Net income (loss) for the period		(52,876)	130,762
Items not affecting cash			
Amortization	6	384,993	80,255
Share-based compensation	13	94,400	36,885
Amortization of deferred financing fees	8	9,777	9,776
Accretion on lease liabilities	7	130,811	70,453
Fair value adjustment on sale of inventory	4	253,930	-
Fair value adjustment on growth of biological assets	5	(506,269)	(756,279)
Changes in non-cash working capital			
Decrease (increase) in:			
Accounts receivable		(890,499)	-
Government remittances receivable		274,004	(113,679)
Inventory and biological assets		311,278	(656,288)
Prepaid expenses and deposits		55,150	(6,850)
Increase (decrease) in:			
Accounts payable and accrued liabilities		1,064,224	(64,519)
		<u>1,128,923</u>	<u>(1,269,484)</u>
Cash used in investing activity			
Purchase of property, plant and equipment, net of recovery		<u>(2,836,837)</u>	<u>(580,992)</u>
Cash provided by (used) in financing activities			
Payment of lease liabilities	7	(212,500)	(112,500)
Proceeds from (repayments of) long-term debt	8	(152,500)	-
Private placement, net of issuance costs	9	-	1,107,286
		<u>(365,000)</u>	<u>994,786</u>
Net increase (decrease) in cash		(2,072,914)	(855,690)
Cash, beginning of period		<u>7,480,082</u>	<u>3,456,555</u>
Cash, end of period		<u>5,407,168</u>	<u>2,600,865</u>

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

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2022 and 2021

(Unaudited - in Canadian dollars)

1. Nature of operations

Greenway Greenhouse Cannabis Corporation (the "Company") is licensed to cultivate, process and sell (B2B) under the Cannabis Act, having obtained its Standard Nursery Licence on July 24, 2020 and its Standard Cultivation Licence on February 5, 2021. The Company's nursery facility is located in Kingsville, Ontario, and its flowering and processing facility is located in Leamington, Ontario. The business model is to supply bulk packaged, high quality cannabis to the Canadian cannabis industry at prices that ultimately provide a value proposition to the consumers. The Company is a majority-owned subsidiary of Sunrite Greenhouses Ltd. (the "Parent Company")

The address of the Company's registered office is 1478 Seacliff Drive, Kingsville, Ontario N9Y 2M2. The Company is a reporting issuer in the Province of Ontario and its common shares (the "Common Shares") are currently listed on the Canadian Securities Exchange ("CSE") under the symbol "GWAY", and warrants of the Company are listed under "GWAY.wt".

These financial statements were approved by the Board of Directors on August 11, 2022.

2. Basis of presentation and going concern

a) *Statement of compliance*

The Company's condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended March 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) *Basis of presentation and measurement*

These financial statements have been prepared on a historical cost except for certain financial instruments and biological assets, which are measured at fair value less costs to sell, and inventory which is recorded at the lower of cost and net realizable value, as detailed in the Company's accounting policies.

c) *Functional currency*

All figures presented in the financial statements are reflected in Canadian dollars, which is the Company's functional currency.

Foreign currency transactions are translated to the functional currency of the Company at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate applicable at the statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are translated to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are translated to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through profit and loss.

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended June 30, 2022 and 2021
(Unaudited - in Canadian dollars)

2. Basis of presentation and going concern (continued)

d) Going concern

These financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of its operations. The Company has insufficient cash to fund its planned capital investments and operations for the next twelve months. The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

The Company will require revenue from its products and new financing to continue as a going concern in its present form. However, there can be no assurance that the Company will achieve such results. These financial statements do not include any adjustments related to recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that discharge its liabilities is dependent on its ability to obtain additional financing.

In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. If the going concern assumption was not appropriate for these financial statements, then adjustments would likely be necessary in the carrying amounts of assets and liabilities, expenses, the accumulated deficit and the classification used in the consolidated statement of financial position. These adjustments could be material.

3. Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended March 31, 2022. For comparative purposes, the Company has reclassified certain immaterial items on the condensed interim statements of financial position and the condensed interim statements of income (loss) and comprehensive income (loss) to conform with the current period's presentation.

4. Inventory

The following is a summary of inventory activity for the three months ended June 30, 2022:

Balance at March 31, 2022	2,325,518
Transferred from biological assets on harvest	1,045,762
Processing costs capitalized	486,031
Inventory sold – cash and amortization costs	(1,348,847)
Biological transformation adjustment relieved from inventory	(253,930)
Balance at June 30, 2022	\$ 2,254,534

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended June 30, 2022 and 2021
(Unaudited - in Canadian dollars)

4. Inventory (continued)

As June 30, 2022, inventory consisted of:

	June 30, 2022	March 31, 2022
Inventory finished goods, dried flower	1,820,354	1,796,557
Inventory-in-process, dried flower	434,180	528,961
Balance at June 30, 2022	\$ 2,254,534	2,325,518

During the three months ended June 30, 2022, the Company incurred \$1,375,551 (2021 – nil) of cost of sales, which consisted of: \$1,090,097 cash inventory expenses (2021 – nil), \$258,750 amortized inventory expenses (2021 – nil), \$18,332 shipping expenses (2021 – nil), and \$8,372 repairs and maintenance (2021 – nil).

5. Biological Assets

Biological assets are comprised of cannabis plants undergoing biological transformation. The changes in the carrying value of biological assets are as follows:

March 31, 2022	\$ 459,442
Capitalized costs	519,564
Increase in fair value due to biological transformation	506,269
Less: transformation into inventory	(1,045,762)
June 30, 2022	\$ 439,513

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price less costs to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from the vegetation stage to the point of harvest and assumes the value of clones is nominal.

Biological assets as at June 30, 2022 include \$63,095 (2021 - \$70,833) of amortization expense incurred in the period.

The following table quantifies each significant unobservable input:

	2022	2021
Weighted average expected loss of plants until harvest	1%	1%
Expected dry-bud yield (average grams per plant)	175 grams	200 - 300 grams
Expected average number of growing weeks	14 weeks	14 - 18 weeks
Estimated selling price of dry bud (per gram)	\$1.20	\$1.40
Post-harvest cost to complete and sell (per gram)	\$0.35	\$0.25

These estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended June 30, 2022 and 2021
(Unaudited - in Canadian dollars)

5. Biological Assets (Continued)

The following table presents the effect of a 10% change in each respective input on the fair valuation of biological assets at June 30, 2022 which would be reported on the statements of loss and comprehensive loss:

	2022	2021
	\$	\$
Weighted average expected loss of plants until harvest	3,996	842
Expected dry-bud yield (average grams per plant)	43,951	83,394
Expected number of growing weeks	39,956	56,862
Estimated selling price of dry bud (per gram)	51,635	85,293
Post-harvest cost to complete and sell (per gram)	15,060	15,231

6. Property, plant, and equipment

	Land	Greenhouse	Building	Warehouse equipment	Leasehold improvements	Production equipment	Office furniture and computer equipment	Right-of-use assets	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$
March 31, 2021	562,300	7,484,506	203,600	101,800	10,335,615	106,477	29,476	3,042,478	21,866,252
Additions	—	—	—	—	1,721,957	77,448	168,400	3,448,174	5,415,979
Recoveries	(11,001)	(142,174)	(3,200)	(1,600)	(56,370)	—	(30,000)	—	(244,345)
March 31, 2022	551,299	7,342,332	200,400	100,200	12,001,202	183,925	167,876	6,490,652	27,037,886
Additions	—	—	—	—	2,500,862	45,948	—	3,228,782	5,775,592
June 30, 2022	551,299	7,342,332	200,400	100,200	14,502,064	229,873	167,876	9,719,434	32,813,478
Accumulated amortization									
March 31, 2021	—	748,450	25,450	20,360	70,420	4,259	18,549	291,571	1,179,059
Amortization	—	302,224	10,260	8,208	569,268	11,616	3,315	310,165	1,215,056
March 31, 2022	—	1,050,674	35,710	28,568	639,688	15,875	21,864	601,736	2,394,115
Amortization	—	73,423	2,505	2,004	141,505	4,138	829	128,615	353,019
June 30, 2022	—	1,124,097	38,215	30,572	781,193	20,013	22,693	730,351	2,747,134
Net book value									
March 31, 2021	562,300	6,736,056	178,150	81,440	10,265,195	102,218	10,927	2,750,907	20,687,193
March 31, 2022	551,299	6,291,658	164,690	71,632	11,361,514	168,050	146,012	5,888,916	24,643,771
June 30, 2022	551,299	6,218,235	162,185	69,628	13,720,871	209,860	145,183	8,989,083	30,066,344

Of the amortization incurred during the three months ended June 30, 2022, \$126,243 has been allocated to operating expenses (2021 - \$80,255), and \$258,750 to cost of sales (2021 - nil). During the three months ended June 30, 2022, the Company capitalized \$2,500,862 of expenses that are considered construction-in-progress that have been grouped with leasehold improvements. The above recoveries for land, greenhouse, building and warehouse equipment are regarding a refund of land transfer taxes. The recovery for leasehold improvements is regarding a government grant, net of applicable costs.

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2022 and 2021

(Unaudited - in Canadian dollars)

7. Lease liabilities

The Company leases a greenhouse facility from Via Verde Hydroponics Ltd., a company related by way of common ownership with the majority shareholders of the Company. The lease term for the greenhouse is 20 years, maturing on April 30, 2039. In April 2022, the Company exercised its right to expand the leased space to an aggregate of approximately 167,000 square feet. The Company also leases a nursery facility from Sunrite Greenhouses Ltd., the majority shareholders of the Company. The lease term for the greenhouse is 18 years, maturing on April 30, 2039.

March 31, 2021	\$	2,873,478
Additions		3,448,174
Lease payments		(525,000)
Interest expense		324,718
March 31, 2022		6,121,370
Additions		3,228,782
Lease payments		(212,500)
Interest expense		130,811
June 30, 2022	\$	9,268,463

For the three months ended June 30, 2022, the Company recognized an interest expense on lease liabilities in the amount of \$130,811 (2021 – \$70,453) in the statements of loss and comprehensive loss.

The Company recognized cash outflow for lease payments of \$212,500 for the three months ended June 30, 2022 (2021 – \$112,500) in the statements of cash flows.

The Company used an incremental borrowing rate of 5.50% at the date of the initial application, for both the greenhouse and nursery leases. For the new square footage leased as of April 2022, the Company used an incremental borrowing rate of 5.95%.

A maturity analysis of lease liabilities as at June 30, 2022 is as follows:

	\$
Year ending March 31, 2023	637,500
Year ending March 31, 2024	850,000
Year ending March 31, 2025	850,000
Year ending March 31, 2026	850,000
Year ending March 31, 2027	850,000
Thereafter	10,295,833
	14,333,333
Interest due over the term of the lease	5,064,870
	9,268,463
Less Current portion	338,500
	8,929,963

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2022 and 2021

(Unaudited - in Canadian dollars)

8 Long-term debt

	\$	\$
Bank Credit Facility - \$6,100,000 - Canadian prime interest rate plus an applicable margin, 3-year term, with a 10-year amortization, monthly principal payments of \$50,833 plus interest payments commencing July 2021, due in December 2022	5,490,000	5,642,500
Subordinated Credit Facility - \$4,900,000 - 5.50%, with a 10-year amortization, monthly principal payments of \$40,833 plus interest payments, commencing April 2023	4,900,000	4,900,000
Other	40,000	40,000
	10,430,000	10,582,500
Deduct		
Unamortized financing fees on bank credit facility	19,553	29,330
Principal portion included in current liabilities	5,652,500	5,653,170
	4,757,947	4,900,000

Total long-term debt repayments are as follows:

	\$
Next 12 months	5,652,500
2 years	490,000
3 years	490,000
4 years	490,000
5 years	490,000
Thereafter	2,817,500
Balance of obligation	10,430,000

The bank credit facility of \$6,100,000 was entered into on December 18, 2019 and is secured by a first charge on all assets of the Company. Repayments on the committed facility were interest-only (currently prime + 2.25%) until June 30, 2021 and principal payments commenced in July 2021 with a straight-line amortization of 10 years. Under the terms of the facility, the Company must satisfy certain restrictive covenants. The Company was not in compliance with these covenants as at June 30, 2022. Financing fees of \$74,955 were incurred related to this debt. These costs have been deferred and are amortized over the term of the debt.

The subordinated credit facility of \$4,900,000 is owed to the majority shareholder, Sunrite Greenhouses Ltd. and is secured by a second charge on all assets of the Company. Payments on the subordinated facility are interest-only until April 1, 2023. The proceeds of this facility were partially utilized to repay the \$3,900,000 financing originally provided by Via Verde Hydroponics Ltd.

During the three months ended June 30, 2022, interest expense on long-term debt amounted to \$142,823 (2021 - \$134,795) and deferred financing fees of \$9,777 (2021 - \$9,776) were recognized on the statements of loss and comprehensive loss.

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2022 and 2021

(Unaudited - in Canadian dollars)

9. Share capital

Authorized

An unlimited number of common shares

Issued

There are 130,924,747 common shares issued and outstanding at June 30, 2022 (March 31, 2022 - 130,924,747).

Activity

During the three months ended June 30, 2022, there was no activity.

10. Related party transactions

Key management personnel are the officers and directors of the Company. Management and directors' fees and share-based compensation for the three months ended June 30, 2022 and 2021, are summarized as follows:

	2022	2021
	\$	\$
Management and directors' fees	111,635	45,217
Share-based compensation	78,500	24,400
	190,135	69,617

The Company identifies the following as related parties:

Related party	Description	Relationship
Sunrite Greenhouses Ltd.	Hydroponic Cultivation	Majority Shareholder of the Company
Via Verde Hydroponics Ltd.	Hydroponic Cultivation	Common Ownership with Majority Shareholder
Del Fresco Produce Ltd.	Produce Marketer	Common Ownership with Majority Shareholder
Delfresco Express Ltd.	Produce Distribution	Common Ownership with Majority Shareholder

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended June 30, 2022 and 2021
(Unaudited - in Canadian dollars)

10. Related party transactions (continued)

The Company shares certain economic resources with related parties resulting in the following expenses billed in the three months ended June 30, 2022 and 2021, from related parties:

Description	Related Party		2022	2021
			\$	\$
General labour	Via Verde Hydroponics Ltd.	Cost of sales	99,470	352,089
General labour	Sunrite Greenhouses Ltd.	Cost of sales	34,795	80,704
Utilities	Via Verde Hydroponics Ltd.	Cost of sales	111,938	91,937
Administrative Wages	Del Fresco Produce Ltd.	General and admin	25,000	5,620
Insurance	Via Verde Hydroponics Ltd.	General and admin	9,328	5,700
Executive wages	Del Fresco Produce Ltd.	General and admin	27,500	20,217
Interest	Sunrite Greenhouses Ltd.	Interest expense	67,375	67,375

The Company has entered into a lease for approximately 57,000 square feet of greenhouse and warehouse space with Via Verde Hydroponics Ltd. The lease agreement commenced May 1, 2019 and the annual rent is \$250,000. As of April 1, 2022, the Company exercised its right to expand the leased greenhouse space for an additional 125,000 square feet for an incremental annual rent of \$300,000. The Company has also entered into a lease for approximately 10,000 square feet of warehouse space with Sunrite Greenhouses Ltd. for an indoor nursery. The lease agreement commenced May 1, 2021 and the annual rent is \$300,000. The corresponding leased assets has been recorded as a right-of-use assets as described in Note 5.

The Company has an operating lease agreement with its majority shareholder, Sunrite Greenhouses Ltd., to whom it leases approximately 667,000 square feet of greenhouse and warehouse space. The operating lease agreement is a 12-month term (May 1 to April 30) and is renewed annually. The annual rent is \$250,000 and is paid monthly.

June 30, 2022, there was a balance owing to related parties noted above of \$2,022,497 (March 30, 2022 – 1,372,164) included in accounts payable and accrued liabilities.

Related party transactions were made in the normal course of business and have been recorded at the exchange amounts.

11. Income taxes

No deferred tax provision is required for the three months ended June 30, 2022, as the Company continues to sustain losses and deductible temporary differences remain unrecognized.

12. Capital management

The Company's objective is to maintain sufficient capital base so as to maintain investor and creditor confidence and to sustain future development of the business and safeguard the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity and debt. Since inception, the Company has primarily been financed through long-term debt and the issuance of share capital.

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company is subject to financial covenants as a result of its loans. Other than these items related to loans payable, as of June 30, 2022 and 2021, the Company is not subject to externally imposed capital requirements.

The Company currently has not paid any dividends to its shareholders.

Greenway Greenhouse Cannabis Corporation
Notes to the Condensed Interim Financial Statements
For the three months ended June 30, 2022 and 2021
(Unaudited - in Canadian dollars)

13. Stock options

During the three months ended June 30, 2022, the Company granted options subject to certain performance and time-based vesting conditions to directors, officers, employees, and consultants as follows:

	Options	Weighted average exercise price \$
March 31, 2021	10,154,440	0.35
Granted during the year	803,560	1.18
Forfeited during the year	—	—
Exercised during the year	(2,020,000)	0.32
Expired during the year	—	—
Outstanding at March 31, 2022	8,938,000	0.43
Exercisable at March 31, 2022	8,420,856	0.39
March 31, 2022	8,938,000	0.35
Granted during the three month period	250,000	1.65
Forfeited during the three month period	—	—
Exercised during the three month period	—	—
Expired during the three month period	(25,000)	1.45
Outstanding at June 30, 2022	9,163,000	0.46
Exercisable at June 30, 2022	8,595,856	0.41

The following lists the options outstanding and exercisable at June 30, 2022:

Expiry date	Options outstanding	Weighted average remaining life (years)	Options exercisable	Weighted average remaining life (years)	Exercise price \$
Options					
September 22, 2024	4,550,000	2.23	4,550,000	2.48	0.25
September 22, 2024	3,763,000	2.23	3,620,856	2.48	0.50
November 25, 2024	500,000	2.40	375,000	2.65	1.35
February 3, 2025	100,000	2.58	-	-	1.45
April 14, 2025	250,000	2.79	50,000	2.79	1.65
Balance June 30, 2022	9,163,000		8,595,856		0.41

The following lists the options outstanding and exercisable at March 31, 2022:

Expiry date	Options outstanding	Weighted average remaining life (years)	Options exercisable	Weighted average remaining life (years)	Exercise price \$
Options					
September 22, 2024	4,550,000	2.48	4,550,000	2.48	0.25
September 22, 2024	3,763,000	2.48	3,620,856	2.48	0.50
November 25, 2024	500,000	2.65	250,000	2.65	1.35
February 3, 2025	125,000	2.83	-	-	1.45
Balance March 31, 2022	8,938,000		8,420,856		0.39

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13. Stock Options (Continued)

The fair value of options was determined using the following Black-Scholes Option Pricing Model assumptions:

	2022	2021
Share price	\$ 0.50 - 1.42	\$ 0.50
Exercise price	\$ 0.50 - 1.45	\$ 0.50
Expected life	3 - 4 years	3 years
Volatility	70%	70%
Dividend yield	0%	0%
Risk-free interest rate	0.73% - 2.47%	0.23%

During the three months ended June 30, 2022, the Company recognized \$94,400 (2021 - \$36,885) in share-based compensation in connection with the options granted.

14. Warrants

The Company's warrants as at June 30, 2022 are as follows:

	Number of Warrants	Exercise price \$
March 31, 2021	-	-
Issued during the twelve-month period	7,272,728	1.65
Exercised during the twelve-month period	-	-
Expired during the twelve-month period	-	-
March 31, 2022	7,272,728	1.65
Issued during the three-month period	-	-
Exercised during the three-month period	-	-
Expired during the three-month period	-	-
Outstanding at June 30, 2022	7,272,728	1.65

All of the above warrants expire on September 24th, 2022.

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14. Warrants (continued)

As at June 30, 2022, the following finders' warrants were outstanding:

	Number of finders' warrants	Exercise price \$
March 31, 2021	-	-
Issued during the twelve month period	502,090	1.65
Exercised during the twelve month period	-	-
Expired during the twelve month period	-	-
March 31, 2022	502,090	1.65
Issued during the three month period	-	-
Exercised during the three month period	-	-
Expired during the three month period	-	-
Outstanding at June 30, 2022	502,090	1.65

All of the above finders' warrants expire on December 24, 2023.

The fair value of finders' warrants was determined using the following Black-Scholes Warrant Pricing Model assumptions:

Share price	\$	1.17
Exercise price	\$	1.65
Expected life		2 years
Volatility		70%
Dividend yield		0%
Risk-free interest rate		0.98%

15. General and administrative expenses

	For the three month period ended June 30,	
	2022 \$	2021 \$
Management and directors' fees	111,635	45,217
Office and general	93,736	50,069
Salaries and wages	92,974	62,326
Insurance	28,176	13,200
Repairs and maintenance	-	65,331
	326,521	236,143

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16. Income (loss) per share

The calculation of income (loss) per share for the three-month period ended June 30, 2022 and 2021 is calculated as follows:

	2022	2021
Basic loss per share:		
Net loss for the period	\$ (52,876)	\$ 130,762
Average number of common shares outstanding during the period	130,924,747	121,632,019
Income (loss) per share - basic	\$ (0.00)	\$ 0.00
	2022	2021
Diluted loss per share:		
Net loss for the period	\$ (52,876)	\$ 130,762
Average number of common shares outstanding during the period	130,924,747	121,632,019
"In the money" options outstanding during the period (i)	-	-
	130,924,747	121,632,019
Loss per share - diluted	\$ (0.00)	\$ 0.00

(i) 8,313,000 in-the-money stock options (2021 – 6,000,000) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive.

(ii) 7,272,728 warrants (2021 – nil) and 502,090 finders' warrants (2021 – nil) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive.

17. Commitments

The Company has contractual commitments related to purchase orders for construction-in-progress of a total of \$9,361,350, amongst four separate vendors.

18. Risk Management

18.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a) Interest rate risk

The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at June 30, 2022, the Company had invested no such funds in liquid investments.

The Company's Bank Credit Facility (Note 7) currently bears interest at the Canadian prime rate plus 2.25%. An increase in the prime rate by 0.5% would increase or decrease the Company's annual interest expense by approximately \$30,000.

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18.1 Financial Risk Management (continued)

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company is exposed to credit-related losses in the event of non-performance by the counterparties. During the three-month period ended June 30, 2022, 63% of revenue resulted from product sold to the top 3 customers, of which these customers represented an aggregate of \$701,519 of the accounts receivable balance at June 30, 2022.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its cash requirements. As at June 30, 2022, the most significant financial liabilities are accounts payable and accrued liabilities, lease liability and long-term debt.

As at June 30, 2022, the Company's financial liabilities have contractual maturities as summarized below:

	Due within <1 year \$	Due within 1-2 years \$	Due Within 2-3 years \$	Due Within 3-4 years \$	Due Within >4 Years \$	Total \$
Accounts payable and accrued liabilities	2,871,455					2,871,455
Lease liabilities	850,000	850,000	850,000	850,000	10,933,333	14,333,333
Long-term debt	5,652,500	490,000	490,000	490,000	3,307,500	10,430,000
Total	9,373,955	1,340,000	1,340,000	1,340,000	14,240,833	27,634,788

d) Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

18.2 Fair Values

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term maturity. For long-term liabilities, fair value approximates their carrying value at the fiscal year end as the interest rates used to discount these contracts approximate market rates.

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18.2 Fair Values (continued)

Assets and liabilities are classified in their entirety based on the lowest level in input that is significant to the fair value measurement. The Company has classified cash as level 1.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

19. Subsequent events

On July 27, 2022, the Company engaged an agent for the purposes of marketing and selling the surplus greenhouse that is currently being leased to Sunrite Greenhouses Ltd. The asset is not being used for commercial production of cannabis. The use of proceeds will be to pay off the Bank Credit Facility and the balance to be used for working capital.

In August 2022, the Company issued a total of 1,150,000 stock options to directors, officers and employees of the Company. Each option is exercisable for one common share at an exercise price of \$1.10, being above the closing price of the Common Shares on the Canadian Securities Exchange (the "CSE") on August 5, 2022. The options are exercisable for a period of five years, ending on August 1, 2027.