



Greenway
Greenhouse
Cannabis
Corporation

**GREENWAY GREENHOUSE CANNABIS
CORPORATION**

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three and
Nine Months Ended
December 31, 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)

		December 31, 2022	March 31, 2022
	Notes	\$	\$
Assets			
Current assets			
Cash		2,641,844	7,480,082
Accounts receivable		402,990	288,634
Government remittances receivable		152,146	325,196
Inventory	4	3,047,031	2,325,518
Biological assets	5	325,572	459,442
Prepaid expenses and deposits		184,497	109,346
		6,754,080	10,988,218
Property, plant and equipment	6	35,275,987	24,643,771
		42,030,067	35,631,989
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	6,486,257	2,097,258
Current portion of lease liabilities	7	346,465	221,000
Current portion of long-term debt	8	5,225,000	5,653,170
		12,057,722	7,971,428
Lease liabilities	7	8,755,126	5,900,370
Long-term debt	8	4,900,000	4,900,000
		25,712,848	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	5,383,916	4,845,891
Deficit		(12,929,776)	(11,848,779)
		16,317,219	16,860,191
		42,030,067	35,631,989

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/ Dennis Staudt Director

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited - in Canadian dollars)

	Notes	For the three months ended		For the nine months ended	
		December 31,		December 31,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue		1,038,402	512,656	4,266,330	1,669,586
Cost of sales					
Cost of goods sold	10	508,368	207,875	2,335,964	735,651
Amortization	6	177,267	77,519	680,331	174,410
Inventory impairment		-	211,395	-	211,395
Gross profit before fair value adjustments		352,767	15,867	1,250,035	548,130
Fair value adjustment on sale of inventory	4	(276,336)	(282,469)	(824,210)	(1,083,159)
Fair value adjustment on growth of biological assets	5	417,379	696,078	1,510,298	1,458,455
Gross profit		493,810	429,476	1,936,123	923,426
Operating Expenses					
General and administration	15	288,463	213,742	968,569	660,290
Amortization	6	126,243	82,495	378,729	457,005
Share-based compensation	13	231,850	102,900	539,300	164,185
Professional fees		104,199	100,811	203,012	234,310
Marketing and sales		56,097	84,186	193,193	159,738
Research and development		-	-	-	47,278
Transaction costs		17,126	-	51,654	191,425
Bad debt		-	13,040	-	13,040
		823,978	597,174	2,334,457	1,927,271
Operating loss		(330,168)	(167,698)	(398,334)	(1,003,845)
Interest expense	7,8,10	(308,793)	(220,533)	(871,438)	(646,728)
Rental income	7,10	62,500	62,500	187,500	187,500
Loss and comprehensive loss		(576,461)	(325,731)	(1,082,272)	(1,463,073)
Weighted average number of common shares - basic		130,924,747	122,818,595	130,924,747	129,750,335
Weighted average number of common shares - diluted		130,924,747	122,818,595	130,924,747	129,750,335
Loss per share - basic	16	(0.00)	(0.00)	(0.01)	(0.01)
Loss per share - diluted	16	(0.00)	(0.00)	(0.01)	(0.01)

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)

For the nine months ended December 31, 2021	Notes	Number of common shares	Share capital amount \$	Warrants reserve \$	Share-based payments reserve \$	Deficit \$	Total \$
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		9,730,728	8,562,107	-	-	-	8,562,107
Shares cancelled		(52,507,547)	-	-	-	-	-
Stock options exercised		970,000	827,750	-	(455,250)	-	372,500
Share-based payments	13	-	(165,690)	-	329,875	-	164,185
Net loss		-	-	-	-	(1,463,073)	(1,463,073)
Balance, December 31, 2021		129,874,747	22,952,934	-	5,335,482	(10,388,938)	17,899,478

For the nine months ended December 31, 2022	Notes	Number of common shares	Share capital amount \$	Warrants reserve \$	Share-based payments reserve \$	Deficit \$	Total \$
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	-	-	-	539,300	-	539,300
Stock options expired		-	-	-	(1,275)	1,275	-
Net loss		-	-	-	-	(1,082,272)	(1,082,272)
Balance, December 31, 2022		130,924,747	23,697,389	165,690	5,383,916	(12,929,776)	16,317,219

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		For the nine months ended	
		December 31,		December,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Cash provided by (used in) operating activities:					
Net income (loss) for the period		(576,461)	(325,731)	(1,082,272)	(1,463,073)
Items not affecting cash					
Amortization	6	303,510	371,086	1,059,060	745,596
Share-based compensation	13	231,850	102,900	539,300	164,185
Amortization of deferred financing fees	8	9,776	9,776	29,330	29,330
Accretion on lease liabilities	7	128,476	84,759	388,939	240,689
Fair value adjustment on sale of inventory	4	276,336	282,469	824,210	1,083,159
Fair value adjustment on growth of biological assets	5	(417,379)	(696,078)	(1,510,298)	(1,458,455)
Changes in non-cash working capital					
Decrease (increase) in:					
Accounts receivable		391,785	391,229	(114,356)	(498,808)
Government remittances receivable		150,883	(53,810)	173,050	(132,561)
Contractual asset		-	(673,530)	-	(673,530)
Inventory and biological assets		(145,577)	89,042	98,445	(562,667)
Prepaid expenses and deposits		(2,485)	(72,887)	(75,151)	(66,883)
Increase (decrease) in:					
Accounts payable and accrued liabilities		399,750	628,368	1,758,598	1,296,907
		750,464	137,593	2,088,855	(1,296,111)
Cash used in investing activity					
Purchase of property, plant and equipment, net of recovery		(2,359,194)	-	(5,832,093)	(737,680)
Cash provided by (used) in financing activities					
Payment of lease liabilities	7	(212,500)	(137,500)	(637,500)	(387,500)
Proceeds from (repayments of) long-term debt	8	(203,333)	(203,333)	(457,500)	(305,000)
Private placement, net of issuance costs	9	-	7,671,821	-	8,829,107
		(415,833)	7,330,988	(1,095,000)	8,136,607
Net increase (decrease) in cash		(2,024,563)	7,468,581	(4,838,238)	6,102,816
Cash, beginning of period		4,666,407	2,090,790	7,480,082	3,456,555
Cash, end of period		2,641,844	9,559,371	2,641,844	9,559,371

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 and nine months ended December 31, 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, beginning December 1, 2022, on the OTCQB Venture Market ("OTCQB") under the symbol "GWAYF".

These financial statements were approved by the Board of Directors on February 27, 2023.

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 basis 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 and nine months ended December 31, 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 nine months ended December 31, 2022:

Balance at March 31, 2022	2,325,518
Transferred from biological assets on harvest	3,241,063
Processing costs capitalized	1,320,955
Inventory sold – cash and amortization costs	(3,016,295)
Biological transformation adjustment relieved from inventory	(824,210)
Balance at December 31, 2022	\$ 3,047,031

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

4. Inventory (continued)

As of December 31, 2022, and March 31, 2022, inventory consisted of:

	December 31, 2022	March 31, 2022
Inventory finished goods, dried flower	2,728,312	1,796,557
Inventory-in-process, dried flower	318,719	528,961
Balance	\$ 3,047,031	2,325,518

The Company incurred cost of sales consisting of:

	For the three months ended		For the nine months ended	
	December 31	December 31	December 31	December 31
	2022	2021	2022	2021
Cash inputs for cultivation and processing	466,285	149,790	2,239,434	625,472
Amortization	177,267	77,519	680,331	174,410
Shipping	15,189	25,003	61,264	45,103
Repairs and maintenance	26,894	33,082	35,266	65,076
	685,635	285,394	3,016,295	910,061

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	1,596,895
Increase in fair value due to biological transformation	1,510,298
Less: transformation into inventory	(3,241,063)
December 31, 2022	\$ 325,572

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 December 31, 2022 include \$52,692 (2021 - \$46,761) of amortization expense.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

5. Biological assets (continued)

The following table quantifies each significant unobservable input:

	December 31, 2022	December 31, 2021
Weighted average expected loss of plants until harvest	1%	1%
Expected dry-bud yield (average grams per plant)	175 grams	175 - 300 grams
Expected average number of growing weeks	14 weeks	14 - 18 weeks
Estimated selling price of dry bud (per gram)	\$1.20	\$1.20
Post-harvest cost to complete and sell (per gram)	\$0.35	\$0.19

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 asset

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

	December 31, 2022	December 31, 2021
	\$	\$
Weighted average expected loss of plants until harvest	444	388
Expected dry-bud yield (average grams per plant)	43,951	38,392
Expected number of growing weeks	39,956	34,902
Estimated selling price of dry bud (per gram)	51,635	35,168
Post-harvest cost to complete and sell (per gram)	15,060	5,568

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

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	—	—	—	—	8,416,546	45,948	—	3,228,782	11,691,276
Dec 31, 2022	551,299	7,342,332	200,400	100,200	20,417,748	229,873	167,876	9,719,434	38,729,162
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	—	220,270	7,515	6,012	424,518	12,414	2,486	385,845	1,059,060
Dec 31, 2022	—	1,270,944	43,225	34,580	1,064,206	28,289	24,350	987,581	3,453,175
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
Dec 31, 2022	551,299	6,071,388	157,175	65,620	19,353,542	201,584	143,526	8,731,853	35,275,987

Of the amortization incurred during the three and nine months ended December 31, 2022, \$177,267 and \$680,331, respectively, has been allocated to cost of sales (2021 - \$77,519 and \$174,410) and \$126,243 and \$378,729, respectively, to operating expenses (2021 - \$82,495 and \$457,005), and. During the three and nine months ended December 31, 2022, the Company capitalized \$3,284,765 and \$8,416,546, respectively, 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.

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.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

7. Lease liabilities (continued)

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		(637,500)
Interest expense		388,939
December 31, 2022	\$	9,101,591

For the three and nine months ended December 31, 2022, the Company recognized an interest expense on lease liabilities in the amount of \$128,476 and \$388,939, respectively, (2021 – \$84,759 and \$240,689) in the statements of loss and comprehensive loss.

The Company recognized cash outflow for lease payments of \$212,500 and \$637,500, respectively, for the three and nine months ended December 31, 2022 (2021 – \$137,500 and \$387,500) 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 December 31, 2022 is as follows:

	\$
Year ending March 31, 2023	212,500
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
	13,908,333
Interest due over the term of the lease	4,806,742
	9,101,591
Less: Current portion	346,465
	8,755,126

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

8 Long-term debt

	December 31, 2022	March 31, 2022
	\$	\$
Bank Credit Facility - \$6,100,000 - Canadian prime interest rate plus applicable margin, 3-year term, with a 10-year amortization, monthly principal payments of \$50,833 plus interest payments commencing July 2021, due in February 2023	5,185,000	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 2024	4,900,000	4,900,000
Other	40,000	40,000
	10,125,000	10,582,500
Deduct		
Unamortized financing fees on bank credit facility	-	29,330
Principal portion included in current liabilities	5,225,000	5,653,170
	4,900,000	4,900,000

Total long-term debt repayments are as follows :

	\$
Next 12 months	5,225,000
2 years	367,500
3 years	490,000
4 years	490,000
5 years	490,000
Thereafter	3,062,500
Balance of obligation	10,125,000

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 December 31, 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 lender provided an extension to February of 2023 for the purpose of disposing of the Company's surplus greenhouse and repaying the full balance. The bank credit facility was repaid in full on January 19, 2023.

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 and nine months ended December 31, 2022, interest expense on long-term debt amounted to \$179,170 and \$484,712, respectively, (2021 - \$133,347 and \$403,733) and deferred financing fees of \$9,776 and \$29,330, respectively, (2021 - \$9,778 and \$29,332) were recognized on the statements of loss and comprehensive loss.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

9. Share capital

Authorized

An unlimited number of common shares

Issueds

There are 130,924,747 common shares issued and outstanding at December 31, 2022 (March 31, 2022 – 130,924,747).

Activity

During the three and nine months ended December 31, 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 and nine months ended December 31, 2022 and 2021, are summarized as follows:

	For the three months ended December 31		For the nine months ended December 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and directors' fees	119,552	76,857	351,537	174,984
Share-based compensation	134,750	102,900	361,950	151,700
	254,302	179,757	713,487	326,684

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 and nine months ended December 31, 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 and nine months ended December 31, 2022 and 2021, from related parties:

Description	Related Party	For the three months ended		For the nine months ended		
		December 31		December 31		
		2022	2021	2022	2021	
		\$	\$	\$	\$	
General Labour	Via Verde Hydroponics Ltd.	Cost of sales	36,575	191,920	242,830	711,424
General Labour	Sunrite Greenhouses Ltd.	Cost of sales	38,515	26,775	109,285	134,254
Utilities	Via Verde Hydroponics Ltd.	Cost of sales	53,816	97,685	204,803	241,597
Administrative Wages	Del Fresco Produce Ltd.	General and admin	13,611	-	65,636	20,846
Insurance	Via Verde Hydroponics Ltd.	General and admin	-	15,547	12,437	30,647
Executive Wages	Del Fresco Produce Ltd.	General and admin	27,500	31,715	82,500	95,732
Interest	Sunrite Greenhouses Ltd.	Interest expenses	67,375	67,375	202,125	202,125

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 6.

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. The lease agreement was terminated on January 19, 2023, in conjunction with the sale of the greenhouse.

As at December 31, 2022, there was a balance owing to related parties noted above of \$2,597,285 (March 31, 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 and nine months ended December 31, 2022, as the Company continues to sustain losses and deductible temporary differences remain unrecognized.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

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 December 31, 2022 and 2021, the Company is not subject to externally imposed capital requirements.

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

13. Stock options

During the nine months ended December 31, 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 nine month period	1,400,000	1.20
Forfeited during the nine month period	—	—
Exercised during the nine month period	—	—
Expired during the nine month period	(45,000)	1.03
Outstanding at December 31, 2022	10,293,000	0.54
Exercisable at December 31, 2022	9,489,196	0.49

The following lists the options outstanding and exercisable at December 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	1.73	4,550,000	1.73	0.25
September 22, 2024	3,743,000	1.73	3,614,196	1.73	0.50
November 25, 2024	500,000	1.90	500,000	1.90	1.35
February 3, 2025	100,000	2.08	100,000	2.08	1.45
April 14, 2025	250,000	2.29	150,000	2.29	1.65
August 1, 2027	1,150,000	4.59	575,000	4.59	1.10
Balance December 31, 2022	10,293,000		9,489,196		0.49

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

13. Stock options (continued)

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

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

		December 31, 2022	December 31, 2021
Share price	\$	0.86 - 0.96	\$ 0.50 - 1.35
Exercise price	\$	1.10 - 1.65	\$ 0.50 - 1.35
Expected life		3 - 5 years	3 years
Volatility		70%	70%
Dividend yield		0%	0%
Risk-free interest rate		2.47% - 2.90%	0.73% - 1.16%

During the three and nine months ended December 31, 2022, the Company recognized \$231,850 and \$539,300, respectively, (2021 - \$102,900 and \$164,185) in share-based compensation in connection with the options granted.

14. Warrants

The Company's warrants as at December 31, 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 nine month period	-	-
Exercised during the nine month period	-	-
Expired during the nine month period	7,272,782	1.65
Outstanding at December 31, 2022	-	-

All of the above warrants expired on September 24, 2022.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

14. Warrants (continued)

As at December 31, 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 nine month period	-	-
Exercised during the nine month period	-	-
Expired during the nine month period	-	-
Outstanding at December 31, 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 months ended		For the nine months ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and directors' fees	119,552	75,992	351,537	174,119
Office and general	70,253	47,094	292,702	184,035
Salaries and wages	78,256	61,945	251,821	185,494
Insurance	20,402	28,711	72,509	51,311
Repairs and maintenance	-	-	-	65,331
	288,463	213,742	968,569	660,290

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

16. Income (loss) per share

The calculation of income (loss) per share for the nine month period ended December 31, 2022 and 2021 is calculated as follows:

	2022	2021
Basic loss per share:		
Net loss for the period	\$ (1,082,272)	\$ (1,463,073)
Average number of common shares outstanding during the period	130,924,747	129,750,335
Income (loss) per share - basic	\$ (0.01)	\$ (0.01)

	2022	2021
Diluted loss per share:		
Net loss for the period	\$ (1,082,272)	\$(1,463,073)
Average number of common shares outstanding during the period "In the money" options outstanding during the period (i)	130,924,747	129,750,335
	-	-
Loss per share - diluted	\$ (0.01)	\$(0.01)

(i) 4,550,000 in-the-money stock options (2021 – 9,363,000) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive.

(ii) 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. Risk Management

17.1 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 December 31, 2022, the Company had invested no such funds in liquid investments.

The Company's Bank Credit Facility (Note 8) 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.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

17.1 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 nine month period ended December 31, 2022, 70% of revenue resulted from product sold to the top 3 customers, of which these customers represented an aggregate of \$160,254 of the accounts receivable balance at December 31, 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 December 31, 2022, the most significant financial liabilities are accounts payable and accrued liabilities, lease liability and long-term debt.

As at December 31, 2022, the Company's financial liabilities have contractual maturities as summarized below:

	Due within	Due within	Due Within	Due Within	Due Within	
	<1 year	1-2 years	2-3 years	3-4 years	>4 Years	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	6,994,757	-	-	-	-	6,994,757
Lease liabilities	850,000	850,000	850,000	850,000	10,508,333	13,908,333
Long-term debt	5,225,000	367,500	490,000	490,000	3,552,500	10,125,000
Total	13,069,757	1,217,500	1,340,000	1,340,000	14,060,833	31,028,090

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.

17.2 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.

Greenway Greenhouse Cannabis Corporation

Notes to the Condensed Interim Financial Statements

For the three and nine months ended December 31, 2022 and 2021

(Unaudited - in Canadian dollars)

17.2 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).

18. Subsequent Events

On January 13, 2023, the Company announced that it has received a standard processing licence from Health Canada. This new license will complement Greenway's B2B business model by allowing the company to provide value-added processing services, as well as allow Greenway to bring its own branded products to market.

On January 19, 2023, the Company closed the sale of a greenhouse that had been rented to Sunrite Greenhouses Ltd., as described in note 10, for gross proceeds of \$7,500,000. The proceeds were used to fully repay the bank credit facility, as described note 8, with the remainder of funds used for working capital and general corporate purposes.

On February 16, 2023, the Company announced that it received its approval from Health Canada for its expansion from 1 to 4 acres of cultivation space; thereby increasing its capacity from 6,000 kg to 24,000 kg of annual production.