GREENWAY GREENHOUSE CANNABIS CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended
September 30, 2023 and 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)

	Notes	**September 30, 2023 $**	March 31, 2023 $
Assets			
Current assets			
Cash		1,621,245	3,642,109
Accounts receivable		526,392	770,185
Government remittances receivable		30,166	-
Inventory	4	2,080,922	1,493,123
Biological assets	5	407,873	269,310
Prepaid expenses and deposits		200,192	196,019
		4,866,790	6,370,746
Property, plant and equipment	6	29,436,800	28,933,780
		34,303,590	35,304,526
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**6,909,566**	6,400,778
Current portion of lease liabilities	7	**363,237**	349,651
Current portion of long-term debt	8	**40,000**	40,000
		7,312,803	6,790,429
Lease liabilities	7	**8,479,057**	8,666,723
Long-term debt	8	**4,900,000**	4,900,000
		20,691,860	20,357,152
Shareholders' Equity			
Share capital	9	**23,967,389**	23,697,389
Warrants reserve	14	**165,690**	165,690
Share-based payments reserve	13	**5,703,854**	5,537,504
Deficit		**(16,225,203)**	(14,453,209)
		13,611,730	14,947,374
		34,303,590	35,304,526

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

Approved on behalf of the Board of Directors

________________________ Director

________________________ Director

Greenway Greenhouse Cannabis Corporation

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited - in Canadian dollars)

	Notes	For the three months ended September 30, 2023 $	2022 $	For the six months ended September 30, 2023 $	2022 $
Revenue		**1,185,611**	1,264,219	**2,359,800**	3,227,928
Cost of sales					
Cost of goods sold	4,10	**826,836**	710,795	**1,574,006**	1,827,596
Amortization	4,6	**229,577**	244,314	**443,938**	503,064
Gross profit before fair value adjustments		**129,198**	309,110	**341,856**	897,268
Fair value adjustment on sale of inventory	4	**(48,226)**	(293,944)	**(48,226)**	(547,874)
Fair value adjustment on growth of biological assets	5	**-**	586,650	**48,226**	1,092,919
Gross profit		**80,972**	**601,816**	**341,856**	**1,442,313**
Operating Expenses					
General and administration	10,15	**363,177**	353,585	**678,181**	680,106
Amortization	6	**84,542**	126,243	**160,024**	252,486
Share-based compensation	10,13	**-**	213,050	**166,350**	307,450
Professional fees		**63,512**	49,244	**99,708**	98,813
Marketing and sales		**44,307**	56,372	**103,718**	137,096
Transaction costs		**-**	34,528	**-**	34,528
Investor relations	18	**-**	-	**270,000**	-
Bad debt		**-**	-	**268,237**	-
		555,538	833,022	**1,746,218**	1,510,479
Operating loss		**(474,566)**	(231,206)	**(1,404,362)**	(68,166)
Interest expense	7,8,10	**(187,647)**	(284,229)	**(367,632)**	(562,645)
Rental income	10	**-**	62,500	**-**	125,000
Loss and comprehensive loss		**(662,213)**	**(452,935)**	**(1,771,994)**	**(505,811)**
Weighted average number of common shares - basic		**131,647,961**	130,924,747	**131,767,838**	130,924,747
Weighted average number of common shares - diluted		**131,647,961**	130,924,747	**131,767,838**	130,924,747
Loss per share - basic	16	**(0.01)**	**(0.00)**	**(0.01)**	**(0.00)**
Loss per share - diluted	16	**(0.01)**	**(0.00)**	**(0.01)**	**(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)

For the six months ended September 30, 2022	Notes	Number of common shares	Share capital amount $	Warrants reserve $	Share-based payments reserve $	Deficit $	Total $
Balance, March 31, 2021		130,924,747	23,697,389	165,690	4,845,891	(11,848,779)	16,860,191
Share-based payments	13	-	-	-	307,450	-	307,450
Stock options expired					(1,275)	1,275	-
Net loss		-	-	-	-	(505,811)	(505,811)
Balance, September 30, 2022		130,924,747	23,697,389	165,690	5,152,066	(12,353,315)	16,661,830

For the six months ended September 30, 2023	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**	**5,537,504**	**(14,453,209)**	**14,947,374**
Share-based payments	13	**964,285**	**270,000**	**-**	**166,350**	**-**	**436,350**
Net loss		**-**	**-**	**-**	**-**	**(1,771,994)**	**(1,771,994)**
Balance, September 30, 2023		**131,889,032**	**23,967,389**	**165,690**	**5,703,854**	**(16,225,203)**	**13,611,730**

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)

		For the three months ended September 30,		For the six months ended September 30,	
		2023	2022	**2023**	2022
	Notes	**$**	$	**$**	$
Operating activities					
Net income (loss) for the period		**(662,213)**	(452,935)	**(1,771,994)**	(505,811)
Items not affecting cash					
Amortization	6	**438,529**	370,557	**830,609**	755,550
Share-based compensation	13	**-**	213,050	**166,350**	307,450
Amortization of deferred financing fees		**-**	9,777	**-**	19,554
Accretion on lease liabilities	7	**94,577**	129,652	**220,650**	260,463
Investor relations payable by shares		**-**	-	**270,000**	-
Fair value adjustment on sale of inventory		**48,226**	293,944	**48,226**	547,874
Fair value adjustment on growth of biological assets	5	**-**	(586,650)	**(48,226)**	(1,092,919)
Cash provided by (used in) operating activities before net non-cash working capital adjustments		**(80,881)**	(22,605)	**(284,385)**	292,161
Changes in non-cash working capital					
Decrease (increase) in:					
Accounts receivable		**(169,132)**	384,358	**243,793**	(506,141)
Government remittances receivable		**109,643**	(251,837)	**(30,166)**	22,167
Inventory and biological assets		**(459,227)**	(67,256)	**(726,362)**	244,022
Prepaid expenses and deposits		**(42,312)**	(127,816)	**(4,173)**	(72,666)
Increase (decrease) in:					
Accounts payable and accrued liabilities		**150,496**	294,624	**(330,622)**	1,358,848
Net cash provided by (used in) operating activities		**(491,413)**	209,468	**(1,131,915)**	1,338,391
Investing activities					
Purchase of property, plant and equipment		**-**	(636,062)	**(513,949)**	(3,472,899)
Net cash used in investing activiteis		**-**	(636,062)	**(513,949)**	(3,472,899)
Financing activities					
Payment of lease liabilities	7	**(162,500)**	(212,500)	**(375,000)**	(425,000)
Proceeds from (repayments of) long-term debt	8	**-**	(101,667)	**-**	(254,167)
Net cash used in financing activities		**(162,500)**	(314,167)	**(375,000)**	(679,167)
Net increase (decrease) in cash		**(653,913)**	(740,761)	**(2,020,864)**	(2,813,675)
Cash, beginning of period		**2,275,158**	5,407,168	**3,642,109**	7,480,082
Cash, end of period		**1,621,245**	4,666,407	**1,621,245**	4,666,407

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

1. Nature of operations

Greenway Greenhouse Cannabis Corporation (the "Company") is licensed to cultivate, process and sell under the Cannabis Act, having obtained both Standard Cultivation and Processing licences. 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 and authorized for use by the Board of Directors on November 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, 2023, 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.

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. As of September 30, 2023, the Company had a working capital deficit of $2,446,013 (2022 – working capital deficit of $1,909,896) and an accumulated deficit of $16,225,203 (2022 – accumulated deficit of $12,353,315). For the six months ended September 30, 2023, the Company generated (used) cash in operating activities of ($1,131,915) (2022 – used 1,338,391), resulting primarily from the net loss of $1,771,994 (2022 – net loss of $505,811) offset by items not affecting cash such as amortization, share-based compensation, and accretion on lease liabilities. The Company has insufficient cash to pay creditors for the current 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.

(Unaudited - in Canadian Dollars)

2. Basis of presentation and going concern (continued)

d) Going concern (continued)

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 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, 2023. 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 six months ended September 30, 2023 and 2022:

		2023		2022
Balance, beginning of period	$	1,493,123	$	2,325,518
Transferred from biological assets on harvest		1,211,813		2,510,002
Processing costs capitalized		1,385,227		584,530
Inventory sold – cash and amortization costs		(1,961,015)		(2,276,213)
Biological transformation adjustment relieved from inventory		(48,226)		(547,874)
Balance, end of period	**$**	**2,080,922**	**$**	**2,595,963**

As of September 30, 2023 and March 31, 2023, inventory consisted of:

		September 30, 2023		March 31, 2023
Inventory finished goods, dried flower		1,512,187		1,581,123
Inventory-in-process, dried flower		568,735		266,256
Inventory impairment		-		(354,256)
Balance	**$**	**2,080,922**	**$**	**1,493,123**

During the six months ended September 30, 2023 and 2022, the Company incurred cost of sales consisting of:

		2023		2022
Cash inputs for cultivation and processing	$	1,506,456	$	1,773,149
Shipping		49,403		46,075
Repairs and maintenance		18,147		8,372
		1,574,006		1,827,596
Amortization		443,938		503,064
Cost of sales	**$**	**2,017,944**	**$**	**2,330,660**

(Unaudited - in Canadian Dollars)

5. Biological assets

Biological assets are comprised of cannabis plants undergoing biological transformation. The changes in the carrying value of biological assets for the six months ended September 30, 2023 and 2022, are as follows:

		2023	2022
Balance, Beginning of period	$	269,310	459,442
Capitalized costs		1,302,150	1,398,150
Increase in fair value due to biological transformation		48,226	1,092,919
Less: transformation into inventory		(1,211,813)	(2,510,002)
Balance, end of period	**$**	**407,873**	**440,509**

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.

As at September 30, 2023, the Company's biological assets was comprised of 9,904 plants (March 31, 2023 – 6,519) which were, on average, 48% (March 31, 2023 – 43%) complete and it was expected that they would yield approximately 1,684 kg (March 31, 2023 - 1,193 kg) of dry flower.

Biological assets as at September 30, 2023 include $105,216 (March 31, 2023 - $52,692) of

amortization expense. The following table quantifies each significant unobservable input:

	September 30,	
	2023	**2022**
Weighted average expected loss of plants until harvest	1%	1%
Expected dry-bud yield (average grams per plant)	170 grams	175 grams
Expected average number of growing weeks	14 weeks	14 weeks
Estimated selling price of dry bud (per gram)	$1.10	$1.20
Post-harvest cost to complete and sell (per gram)	$0.45	$0.35

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.

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.

	September 30,	
	2023	**2022**
	$	$
Weighted average expected loss of plants until harvest	438	445
Expected dry-bud yield (average grams per plant)	43,355	44,051
Expected number of growing weeks	39,414	40,046
Estimated selling price of dry bud (per gram)	45,420	51,752
Post-harvest cost to complete and sell (per gram)	20,645	15,094

(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, 2022	551,299	7,342,332	200,400	100,200	12,001,202	183,925	167,876	6,490,652	**27,037,886**
Additions	–	–	–	–	8,967,954	85,783	–	3,228,782	**12,282,519**
Disposals	(551,299)	(7,342,332)	(200,400)	(100,200)	–	–	–	–	**(8,194,231)**
March 31, 2023	–	–	–	–	20,969,156	269,708	167,876	9,719,434	**31,126,174**
Additions	–	–	–	–	1,314,768	38,591	–	–	**1,353,359**
Disposals	–	–	–	–	–	–	–	–	**–**
Adjustment	–	–	–	–	–	–	–	(19,730)	**(19,730)**
Sept 30, 2023	**–**	**–**	**–**	**–**	**22,283,924**	**308,299**	**167,876**	**9,699,704**	**32,459,804**
Accumulated amortization									
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	566,024	19,360	3,315	324,532	**1,147,028**
Disposals	–	(1,270,944)	(43,225)	(34,580)	–	–	–	–	**(1,348,749)**
March 31, 2023	–	–	–	–	1,205,712	35,235	25,179	926,268	**2,192,394**
Amortization	–	–	–	–	560,222	11,500	1,658	257,229	**830,609**
Disposals	–	–	–	–	–	–	–	–	–
Sept 30, 2023	**–**	**–**	**–**	**–**	**1,765,934**	**46,735**	**26,837**	**1,183,497**	**3,023,003**
Net book value									
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**
March 31, 2023	–	–	–	–	19,763,444	234,473	142,697	8,793,166	**28,933,780**
Sept 30, 2023	**–**	**–**	**–**	**–**	**20,517,990**	**261,564**	**141,039**	**8,516,207**	**29,436,800**

Of the amortization incurred in the three and six months ended September 30, 2023, $84,542 and $160,024 (2022 - $126,243 and $252,486) respectively, has been expensed in operating expenses and the remainder has been recorded through the Company’s biological assets and inventory costing in accordance with IAS 2 Inventories. The adjustment is discussed in note 8.

(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 initial lease term for the greenhouse was 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 initial lease term for the greenhouse was 18 years, maturing on April 30, 2039.

March 31, 2022		6,121,370
Additions		3,228,782
Lease payments		(850,000)
Interest expense		516,222
March 31, 2023	$	9,016,374
Additions		-
Adjustment		(19,730)
Lease payments		(375,000)
Interest expense		220,650
September 30, 2023	$	8,842,294

For the three and six months ended September 30, 2023, the Company recognized an interest expense on lease liabilities in the amount of $94,577 and $220,650 (2022 – $129,652 and $260,463) in the statements of loss and comprehensive loss.

The Company recognized cash outflow for lease payments of $162,500 and $375,000 for the three month and six months ended September 30, 2023 (2022 - $212,500 and $425,000) 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%. The square footage expansion was complete and operational as of May 2023. As the new square footage was not complete or operational for the month of April 2023, $35,653 of interest expenses were capitalized to leasehold assets in the three months ended June 30, 2023. Commencing July 1, 2023, the Company has allowed Via Verde Hydroponics to utilize a portion of the unutilized square footage expansion, in exchange for temporary relief of prorated rental expenses. Due to the reduced rent, the Company assessed the long-term lease liability and decreased it and the corresponding right-of-use assets by $19,730 and will assess the balance on an ongoing basis.

A maturity analysis of lease liabilities as at September 30, 2023 is as follows:

$	
Year ending March 31, 2024	425,000
Year ending March 31, 2025	850,000
Year ending March 31, 2026	850,000
Year ending March 31, 2027	850,000
Year ending March 31, 2028	850,000
Thereafter	9,445,833
	13,270,833
Interest due over the term of the lease	4,428,539
	8,842,294
Less: Current portion	363,237
	8,479,057

(Unaudited - in Canadian Dollars)

8 Long-term debt

	September 30, 2023	March 31, 2023
	$	$
Subordinated Credit Facility - $4,900,000 – 5.50%, interest accrues and no current terms for repayment	**4,900,000**	4,900,000
Other	**40,000**	40,000
	4,940,000	4,940,000
Deduct		
Principal portion included in current liabilities	**40,000**	40,000
	4,900,000	4,900,000

Total long-term debt repayments are outlined in note 17.

The subordinated credit facility of $4,900,000 is owed to the majority shareholder, Sunrite Greenhouses Ltd. and is secured by a charge on all assets of the Company. Interest accrues on the subordinated facility and there are no current terms for repayment.

During the three and six months ended September 30, 2023, interest expense on long-term debt amounted to $67,375 and $134,750, respectively, (2022 – $162,719 and $305,542) and deferred financing fees of $nil and $nil, respectively, (2022 - $9,777 and $19,554) were recognized on the statements of loss and comprehensive loss.

(Unaudited - in Canadian Dollars)

9. Share capital

Authorized

An unlimited number of common shares

Issued

There are 131,889,032 common shares issued and outstanding at September 30, 2023 (March 31, 2023 – 130,924,747).

Escrow

As at September 30, 2023, there are 30,469,550 shares held in escrow to be released as follows:

- 15,234,775 on March 22, 2024
- 15,234,775 on September 22, 2024

Activity

During the three and six months ended September 30, 2023, the Company issued 964,285 common shares at $0.28 per share for investor relations services rendered of $270,000. During the three and six months ended September 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 and six months ended September 30, 2023 and 2022, are summarized as follows:

	For the three months ended September 30,		For the six months ended September 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Management and directors' fees	**103,750**	120,350	**207,500**	231,985
Share-based compensation	**-**	148,700	**102,000**	227,200
	103,750	269,050	**309,500**	459,185

(Unaudited - in Canadian Dollars)

10. Related party transactions (continued)

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

The Company shares certain economic resources with related parties resulting in the following expenses billed in the three and six months ended September 30, 2023 and 2022, from related parties:

Description	Related Party			For the three months ended September 30,		For the six months ended September 30,	
				2023	2022	**2023**	2022
				$	$	**$**	$
General Labour	Via Verde Hydroponics	Ltd.	Cost of sales	**191,887**	106,755	**284,508**	206,255
General Labour	Sunrite Greenhouses	Ltd.	Cost of sales	**42,567**	35,975	**79,286**	70,770
Utilities	Via Verde Hydroponics	Ltd.	Cost of sales	**86,181**	39,049	**147,158**	150,987
Administrative Wages	Del Fresco Produce	Ltd.	General and admin	**17,750**	27,025	**37,880**	52,025
Insurance	Via Verde Hydroponics	Ltd.	General and admin	**1,840**	3,109	**1,840**	12,437
Executive Wages	Del Fresco Produce	Ltd.	General and admin	**15,000**	27,500	**29,231**	55,000
Interest	Sunrite Greenhouses	Ltd.	Interest expense	**67,375**	67,375	**134,750**	134,750

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 expanded the leased greenhouse space to 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 right-of-use assets as described in Note 6.

The Company had an operating lease agreement with its majority shareholder, Sunrite Greenhouses Ltd., to whom it leased approximately 667,000 square feet of greenhouse and warehouse space. The annual rent was $250,000 and payable monthly. The lease agreement was terminated on January 19, 2023 in conjunction with the sale of the greenhouse. During the three and six months ended September 30, 2023, the Company recognized $nil and $nil, respectively, of rental income (2022 - $62,500 and $125,000) under this agreement.

As at September 30, 2023, there was a balance owing to related parties noted above of $3,223,701 (March 31, 2023 – $3,008,378) 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 six months ended September 30, 2023 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 not subject to externally imposed capital requirements.

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

(Unaudited - in Canadian Dollars)

13. Stock options

During the three and six months ended September 30, 2023, the Company granted options subject to certain performance and time-based vesting conditions to directors, officers, employees, and consultants as follows:

	Number of Options	Weighted average exercise price $
March 31, 2022	**8,938,000**	**0.35**
Granted during the year	1,400,000	1.20
Forfeited during the year	—	—
Exercised during the year	—	—
Expired during the year	(45,000)	1.03
Outstanding at March 31, 2023	**10,293,000**	**0.54**
Exercisable at March 31, 2023	**9,874,444**	**0.51**
March 31, 2023	**10,293,000**	**0.54**
Granted during the three month period	—	—
Forfeited during the three month period	—	—
Exercised during the three month period	—	—
Expired during the three month period	—	—
Outstanding at June 30, 2023	**10,293,000**	**0.54**
Exercisable at June 30, 2023	**10,261,913**	**0.54**

The following lists the options outstanding and exercisable at September 30, 2023:

Expiry Date	Options Outstanding	Remaining Life (Years)	Options Exercisable	Exercise Price
Options				$
September 22, 2024	4,550,000	0.98	4,550,000	0.25
September 22, 2024	3,743,000	0.98	3,711,944	0.50
November 25, 2024	500,000	1.15	500,000	1.35
February 3, 2025	100,000	1.33	100,000	1.45
April 14, 2025	250,000	1.54	250,000	1.65
August 1, 2027	1,150,000	3.84	1,150,000	1.10
Balance June 30, 2023	**10,293,000**		**10,261,944**	**0.54**

(Unaudited - in Canadian Dollars)

13. Stock options (continued)

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

	September 30, 2023	September 30, 2022
Share price ($)	0.86 – 0.96	0.86 – 0.96
Exercise price ($)	1.10 – 1.65	1.10 – 1.65
Expected life	3 – 5 years	3 – 5 years
Volatility*	70%	70%
Dividend yield	0%	0%
Risk-free interest rate	2.47% - 2.90%	2.47% - 2.90%

*Volatility was determined by reference to the volatilities of several comparable entities.

During the three months and six months ended September 30, 2023, the Company recognized $nil and $166,350, respectively, (2022 - $213,050 and $307,450) in share- based compensation in connection with the options granted.

14. Warrants

The Company's warrants and finders' warrants as at September 30, 2023 are as follows:

	Number of Warrants	Exercise Price $	Number of Finders' Warrants	Exercise Price $
March 31, 2022	7,272,728	1.65	502,090	1.65
Expired during the twelve month period	7,272,728	1.65	-	-
March 31, 2023	-	-	502,090	1.65
Expired during the six month period	-	-	-	1.65
Outstanding at September 30, 2023	**-**	**-**	**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%

(Unaudited - in Canadian Dollars)

15. General and administrative expenses

	For the three months ended September 30,		For the six months ended September 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Management and directors' fees	**103,750**	**120,350**	**207,500**	**231,985**
Office and general	**152,907**	**128,713**	**240,325**	**222,449**
Salaries and wages	**85,303**	**80,591**	**175,818**	**173,565**
Insurance	**21,217**	**23,931**	**54,538**	**52,107**
	363,177	**353,585**	**678,181**	**680,106**

16. Income (loss) per share

The calculation of income (loss) per share for the six month period ended September 30, 2023 and 2022 is calculated as follows:

	2023	2022
Basic loss per share:		
Net loss for the period	**$ (1,771,994)**	$ (505,811)
Average number of common shares outstanding during the period	**131,767,838**	130,924,747
Income (loss) per share - basic	**$ (0.01**	**$ (0.00)**

	2023	2022
Diluted loss per share:		
Net loss for the period	**$ (1,771,994)**	$ (505,811)
Average number of common shares outstanding during the year	**131,767,838**	130,924,747
"In the money" options outstanding during the period (i)	**-**	-
	131,767,838	130,924,747
Loss per share - diluted	**$ (0.01**	**$ (0.00)**

(i) 4,550,000 in-the-money stock options (2022 – 8,313,000) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive.

(ii) Nil warrants (2022 – 7,272,728) and 502,090 finders' warrants (2022 – 502,090) 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 September 30, 2023, the Company had invested no such funds in liquid investments.

(Unaudited - in Canadian Dollars)

17. Risk Management (continued)

17.2 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. The Company holds its cash with AAA rated financial institutions and considers the credit risk on its cash to be remote. The Company assesses the credit risk of each individual customer and adjusts payment terms as appropriate.

During the six months ended September 30, 2023, 54% of revenue resulted from product sold to the top 3 customers, of which these customers represented an aggregate of $243,457 of the accounts receivable balance at September 30, 2023.

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, 2023, the most significant financial liabilities are accounts payable and accrued liabilities, lease liability and long-term debt.

As at September 30, 2023, the Company's financial instruments have contractual maturities as summarized below:

September 30, 2023	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	6,909,568	-	-	-	-	6,909,566
Long-term debt	40,000	-	-	-	4,900,000	4,940,000
Total	6,949,568	-	-	-	4,900,000	11,849,566

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.

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 October 12, 2023, the Company announced that it has signed an agreement with Green Hedge to act as an outside sales force, providing coverage to licensed cannabis retailers and provincial wholesalers across Canada.

On October 30, 2023, the Company announced the closing of a non-brokered private placement for gross proceeds of $3,500,000 of 13% secured convertible debentures.

The Company also announced that certain officers, directors, and employees have agreed to cancel options to acquire up to 7,725,000 Common Shares at a weighted average exercise price of $0.60.