GREENWAY GREENHOUSE CANNABIS CORPORATION

AUDITED FINANCIAL STATEMENTS

For the Years Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Greenway Greenhouse Cannabis Corporation:

Opinion

We have audited the financial statements of Greenway Greenhouse Cannabis Corporation (the "Company"), which comprise the statements of financial position as at March 31, 2024 and March 31, 2023, and the statements of loss and other comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2024 and March 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(d) in the financial statements, which indicates that the Company has insufficient cash to pay creditors for the current working capital obligations and operations for the next twelve months. As stated in Note 2(d), these events or conditions, along with other matters described in Note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be key audit matters to be communicated in our report.

MNP LLP
800-1600 Carling Avenue, Ottawa ON, K1Z 1G3 T: 613.691.4200 F: 613.726.9009

Valuation of Biological Assets and Inventory

Key Audit Matter Description

The Company measures biological assets, defined as cannabis plants up to the point of harvest, at fair value less costs to sell. Biological assets are transferred to inventory at fair value less costs to sell at the point of harvest, which becomes the initial cost basis for internally produced dried cannabis. The fair value of biological assets is measured using the income approach, which calculates the present value of expected future cash flows from the Company's biological assets. The significant assumptions used to measure the biological assets are average selling price per gram, cost to complete per gram, and average yield per plant. As at March 31, 2024, the carrying value of the Company's biological assets was $366,026. Refer to Note 5 of the financial statements for further details.

The cost of cannabis inventory includes (a) cost of dried cannabis, (b) applicable allocation of cost of labour, fixed and variable overheads as part of the production process, and (c) other costs incurred to bring the inventory to its present location and condition. Inventory is subsequently assessed for impairment based on the lower of cost and net realizable value. As at March 31, 2024, the carrying value of the Company's inventory was $1,652,725. Refer to Note 4 of the financial statements for further details.

We identified the valuation of biological assets and inventory as a key audit matter, as a high degree of auditor judgment was required to evaluate the significant assumptions made by management to value biological assets, measure the costs of processing of inventories, and determine the net realizable value of inventories.

Audit Response

We responded to this matter by performing audit procedures in relation to the valuation of biological assets and inventory. Our audit work in relation to this included, but was not restricted to, the following:

- Performed a physical observation and count of the inventory and biological assets at year-end on a sample basis;
- Tested the average yield per plant by observing on a sample basis actual harvests and by verifying harvest results to supporting documentation;
- Tested the average selling price per gram by verifying to actual selling price per gram for sales made during the year ended March 31, 2024 and subsequent to the year-end on a sample basis;
- Tested the measurement and classification of costs between pre-harvest and post-harvest activities by reviewing source documents and assessing the allocation of costs on a sample basis; and
- Evaluated the reasonability of the expected net selling prices based on actual sales made subsequent to year-end, on a sample basis.

Impairment Analysis of Property, plant, and equipment

Key Audit Matter Description

The property, plant and equipment are tested for indicators of impairment on an annual basis. When an indication of impairment is identified an impairment analysis is completed where the carrying value of the asset or group of assets is measured against the recoverable amount. Management uses the higher of the value in use and fair value less cost of disposal approach to determine the recoverable amount.

We consider this to be a key audit matter due to the significant judgment made by management in estimating the recoverable amount for the assets and the high degree of auditor judgment, subjectivity, and complexity in performing procedures.

Please refer to Note 3 Material accounting policies and Note 6 Property, plant, and equipment of the financial statements for details.

Audit Response

We responded to this matter by performing procedures in relation to impairment of property, plant and equipment. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated and assessed the appropriateness of the indicators of impairment.
- Involved external professionals with specialized skills and knowledge in the relevant fields of valuation to assist with assessing:

    - the appropriateness of the valuation methodology used by management's expert;

    - the reasonability of assumptions used by management and their expert.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shawn Mincoff.

MNP LLP

Ottawa, Ontario — Chartered Professional Accountants

July 29, 2024 — Licensed Public Accountants

Greenway Greenhouse Cannabis Corporation

Statements of Financial Position

As at March 31, 2024 and 2023

(expressed in Canadian dollars)

	Notes	**March 31, 2024 $**	March 31, 2023 $
Assets			
Current assets			
Cash		**1,530,810**	3,642,109
Accounts receivable		**920,575**	770,185
Inventory	4	**1,652,725**	1,493,123
Biological assets	5	**366,026**	269,310
Prepaid expenses and deposits		**204,015**	196,019
		4,674,151	6,370,746
Property, plant and equipment	6	**28,414,974**	28,933,780
		33,089,125	35,304,526
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,390,240**	3,392,400
Accounts payable to related parties	11	**3,763,519**	3,008,378
Current portion of lease liabilities	7	**372,997**	349,651
Current portion of long-term debt	8	**-**	40,000
		5,526,756	6,790,429
Lease liabilities	7	**8,275,502**	8,666,723
Long-term debt	8	**4,900,000**	4,900,000
Convertible debentures	9	**2,471,818**	-
		21,174,076	20,357,152
Shareholders' Equity			
Share capital	10	**24,043,978**	23,697,389
Warrants reserve	15	**295,201**	165,690
Share-based payments reserve	14	**4,865,889**	5,537,504
Equity component of convertible debentures	9	**462,644**	-
Deficit		**(17,752,663)**	(14,453,209)
		11,915,049	14,947,374
		33,089,125	35,304,526

Going concern (note 2)

Subsequent events (note 20)

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

Statements of Loss and Comprehensive Loss

For the years ended March 31, 2024 and 2023

(expressed in Canadian dollars)

	Notes	**2024**	2023
		$	$
Gross revenue		**5,233,835**	5,621,933
Excise taxes		**(3,641)**	-
Net revenue		**5,230,194**	5,621,933
Cost of sales			
Cost of goods sold	4,11	**4,101,723**	3,154,061
Amortization	4,6	**1,263,903**	853,333
Inventory impairment	4,6	**199,945**	354,256
Gross profit before fair value adjustments		**(335,377)**	1,260,283
Fair value adjustment on sale of inventory	4	**(321,672)**	(1,778,591)
Fair value adjustment on growth of biological assets	5	**321,672**	1,260,298
Gross profit		**(335,377)**	741,990
Operating expenses			
General and administration	11,16	**1,313,181**	1,353,272
Amortization	6	**406,796**	237,112
Share-based compensation	11,14	**751,594**	692,888
Professional fees		**215,976**	270,169
Marketing and sales		**223,705**	241,243
Transaction costs		**-**	51,654
Investor relations	9,10	**390,000**	-
Bad debt		**242,464**	-
		3,543,716	2,846,338
Operating loss		**(3,879,093)**	(2,104,348)
Gain on sale of surplus asset	6	**-**	193,484
Interest expense	7,8,9,11	**(843,570)**	(882,341)
Rental income	11	**-**	187,500
Loss and comprehensive loss		**(4,722,663)**	(2,605,705)
Weighted average number of common shares - basic		**131,367,831**	130,924,747
Weighted average number of common shares - diluted		**131,367,831**	130,924,747
Basic and diluted loss per share	17	**(0.04)**	(0.02)

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

Greenway Greenhouse Cannabis Corporation

Statements of Changes in Equity

For the years ended March 31, 2024 and 2023
(expressed in Canadian dollars)

For the year ended March 31, 2023	Notes	Number of common shares	Share capital amount $	Warrants reserve $	Share-based payments reserve $	Equity component of convertible debentures $	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	14	-	-	-	692,888	-	-	692,888
Stock options expired		-	-	-	(1,275)	-	1,275	-
Net loss		-	-	-	-	-	(2,605,705)	(2,605,705)
Balance, March 31, 2023		130,924,747	23,697,389	165,690	5,537,504	-	(14,453,209)	14,947,374

For the year ended March 31, 2024	**Notes**	**Number of common shares**	**Share capital amount $**	**Warrants reserve $**	**Share-based payments reserve $**	**Equity component of convertible debentures $**	**Deficit $**	**Total $**
Balance, March 31, 2023		**130,924,747**	**23,697,389**	**165,690**	**5,537,504**	**-**	**(14,453,209)**	**14,947,374**
Shares cancelled	**10**	**(1,000,000)**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**14**	**-**	**-**	**-**	**751,594**	**-**	**-**	**751,594**
Shares issued for services rendered	**10**	**1,389,777**	**346,589**	**-**	**-**	**-**	**-**	**346,589**
Issuance of convertible debentures	**9**	**-**	**-**	**129,511**	**-**	**462,644**	**-**	**592,155**
Expired and cancelled stock options	**14**	**-**	**-**	**-**	**(1,423,209)**	**-**	**1,423,209**	**-**
Net loss		**-**	**-**	**-**	**-**	**-**	**(4,722,663)**	**(4,722,663)**
Balance, March 31, 2024		**131,314,524**	**24,043,978**	**295,201**	**4,865,889**	**462,644**	**(17,752,663)**	**11,915,049**

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

Greenway Greenhouse Cannabis Corporation
Statements of Cash Flows
For the years ended March 31, 2024 and 2023
(expressed in Canadian dollars)

	Notes	**2024** **$**	2023 $
Cash provided by (used in) operating activities:			
Net income (loss) for the period		**(4,722,663)**	(2,605,705)
Items not affecting cash			
Amortization	6	**1,804,324**	1,147,028
Share-based compensation	14	**751,594**	692,888
Amortization of deferred financing fees	8	**-**	29,330
Interest expense accrued to related party	11	**269,500**	269,500
Accretion on lease liabilities, net of sub-lease to related party	7	**332,125**	328,629
Accretion on convertible debentures	9	**50,892**	-
Convertible debentures issued for services rendered	9	**120,000**	-
Shares issued for services rendered	10	**346,589**	-
Fair value adjustment on sale of inventory	4	**321,672**	1,778,591
Fair value adjustment on growth of biological assets	5	**(321,672)**	(1,260,298)
Gain on sale of surplus asset		**-**	(193,484)
Cash provided by (used in) operating activities before net non-cash working capital adjustments		**(1,047,639)**	186,479
Decrease (increase) in:			
Accounts receivable		**(150,390)**	(481,551)
Government remittances receivable		**-**	325,196
Inventory and biological assets		**(256,318)**	504,234
Prepaid expenses and deposits		**(7,996)**	(86,673)
Increase (decrease) in:			
Accounts payable and accrued liabilities		**(370,379)**	411,820
Accounts payable to related parties	11	**(214,359)**	516,714
Net cash provided by (used in) operating activities		**(2,047,081)**	1,376,219
Cash used in investing activity			
Purchase of property, plant and equipment		**(2,917,299)**	(6,610,658)
Net proceeds from the disposition of the surplus asset		**-**	7,038,966
		(2,917,299)	428,308
Cash provided by (used) in financing activities			
Proceeds from (repayments of) long-term debt	8	**(40,000)**	(5,642,500)
Convertible debentures, net of issuance costs	9	**2,893,081**	-
		2,853,081	(5,642,500)
Net increase (decrease) in cash		**(2,111,299)**	(3,837,973)
Cash, beginning of period		**3,642,109**	7,480,082
Cash, end of period		**1,530,810**	3,642,109

Supplementary disclosure (note 19)

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 July 29, 2024.

2. Basis of presentation and going concern

a) Statement of compliance

These financial statements 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 March 31, 2024, the Company had a working capital deficiency of $852,605 (March 31, 2023 – working capital deficiency of $419,683) and an accumulated deficit of $17,752,663 (March 31, 2023 – accumulated deficit of $14,453,209). For the year ended March 31, 2024, the Company generated (used) cash in operating activities of ($2,047,081) (2023 – generated $1,376,219), resulting primarily from the net loss of $4,722,663 (2023 – net loss of $2,605,705) offset by items not affecting cash such as amortization, share-based compensation, and accretion on lease liabilities and convertible debentures. The Company has insufficient cash to pay creditors for the current working capital obligations 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.

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.

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. Material accounting policies

The material accounting policies used by the Company are as follows:

a) Revenue recognition

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue from the sale of cannabis is recognized when control has been transferred, which is considered to occur when products have been delivered to the location specified in the sales contract and accepted by the customer and collectability is reasonably assured. Revenue is measured based on the consideration specified in the contract taking into account any variation that may result from rights of return or price concessions.

For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data for specific types of products.

To determine the amount and timing of revenue to be recognized, the Company applies the following five steps:

1. Identifying the contract with a customer
2. Identifying the performance obligations in the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations in the contract
5. Recognizing revenue when or as performance obligations are satisfied

b) Cash and cash equivalents

Cash and cash equivalents include cash and liquid cash investments of the Company with an original term to maturity of 90 days or less and exclude cash subject to restrictions. The Company’s balance of cash and cash equivalents is comprised of cash on hand, deposits held with banks, and guaranteed investment certificates.

c) Inventory

Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at the time of harvest, which becomes deemed cost. Any subsequent direct and indirect post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. The direct costs capitalized to inventory subsequent to harvest include materials, and indirect costs capitalized include labour and depreciation expense on facilities and equipment involved in drying, trimming and packaging cannabis, as well as overhead costs to the extent it is associated with post-harvest production, quality control and storage space. Inventory is measured at the lower of cost and net realizable value on the Statements of Financial Position. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale. Cost is determined using the average cost basis.

3. Material accounting policies (continued)

d) Biological assets

While the Company's biological assets, consisting of cannabis plants, are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, utilities, facilities costs including an allocation of overhead costs related to production facility, quality and testing costs, and production related depreciation. Capitalized costs are subsequently recorded within cost of sales in the statements of loss and comprehensive loss in the period that the related product is sold. The Company measures biological assets, at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the statements of loss and comprehensive loss for the related period. Cost to sell includes post-harvest production costs and fulfilment costs. Determination of the fair value of biological assets required the Company to make a number of estimates, including the stage of growth in relation to the point of harvest, post-harvest costs, selling costs, sales prices, wastage and expected yields of the cannabis plants.

e) Property, plant and equipment (PPE)

Upon initial acquisition, PPE is valued at cost, being the purchase price, capitalized borrowing costs, and directly attributable costs required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. In subsequent periods, PPE is stated at cost less accumulated amortization and any impairment in value. Amortization rates are as follows:

Asset	**Amortization Method**	**Term/Rate**
Greenhouse	Declining balance	4%
Building	Declining balance	5%
Production and warehouse equipment	Declining balance	8%
Office furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	50%
Leasehold improvements	Straight-line	Lease term
Right-of-use assets	Straight-line	Lease term

Assets under construction are recorded at cost and, when substantially complete and available for their intended use, amortization is charged against the assets based on the shorter of the term of the lease and their estimated useful lives.

Borrowing costs directly attributable to the acquisition, construction or production of PPE that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalized to the cost of PPE, based on a quarterly weighted average cost of borrowing. All other borrowing costs are expensed as incurred and recognized in net interest expense and other financing charges.

f) Investment property

The Company has developed a policy to determine which properties are investment properties, which includes an assessment of the future use and intent of the property, and the value of any rental income earned on the property relative to the carrying value of the property. As at the year ended March 31, 2024 and 2023, the Company did not hold any assets that would fulfil the criteria of investment property.

g) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance.

Options or warrants issued at the same time as the issuance of common shares are recorded at fair value based on the residual method. Proceeds are first allocated to the shares according to the fair value of the common shares and any residual of the proceeds is allocated to the options or warrants.

3. Material accounting policies (continued)

h) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

i) Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For purposes of impairment testing, assets that cannot be tested individually are grouped together into cash generating units (“CGU”), the smallest group of assets that generate net cash flows from continuing use that are largely dependent on the net cash flows from other assets or group of assets.

Impairments are recorded when the recoverable amount of the asset is less than its carrying amount. The recoverable amount is the higher of an asset’s fair value less cost to sell or its value in use. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

j) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants, convertible debentures, and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

k) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The Company’s related party transactions are conducted on commercial terms and conditions in the normal course of business.

3. Material accounting policies (continued)

l) Share-based compensation

The Company's equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of equity-settled share-based transactions are calculated using the Black-Scholes option pricing model and rely on several inputs, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated dividend yield, if any.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a per tranche basis of the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

In the case of any modification to equity-settled share-based payment terms, the incremental fair value granted as a result of the modification will be measured and recognized over the period from the modification date until the date when the modified equity instruments vest.

m) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures that do not meet the above criteria are recognized in the statements of loss and comprehensive loss as incurred.

Development expenditures which meet the criteria for capitalization are recorded at cost and amortized over the estimate useful life of the asset developed using a straight-line method.

n) Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are assumed.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees; and
- the exercise of purchase options if the lessee is reasonably certain to exercise the options

3. Material accounting policies (continued)

n) Leases (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The amortization starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line administrative expenses in the statements of loss and comprehensive loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has elected to use this practical expedient.

o) Financial instruments

A financial asset or liability is recognized if the Company becomes a party to the contractual provisions of the asset or liability. A financial asset or liability is recognized initially (at trade date) at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets and liabilities carried at fair value through profit or loss ("FVTPL") are initially recognized at fair value and transaction costs are expensed in the statement of loss and comprehensive loss.

After initial recognition, financial assets are measured at their fair values except for those which are measured at amortized cost. After initial recognition, financial liabilities are measured at amortized cost except for financial liabilities at fair value through profit or loss which are measured at fair value.

The Company classifies its financial assets and liabilities according to their characteristics, and management's choices and intentions related thereto for the purposes of ongoing measurement.

3. Material accounting policies (continued)

o) Financial instruments (continued)

Classification choices for financial assets include:

- Amortized cost – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.
- Fair value through profit and loss

Classification choices for financial liabilities include:

- Amortized cost – measured at amortized cost with gains and losses recognized in the statement of loss and comprehensive loss in the period that the liability is no longer recognized.

The Company's financial instruments are classified and measured as follows:

Financial instrument	**Classification**
Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Convertible debentures	Amortized cost

p) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses ("ECLs") on financial assets that are measured at amortized cost. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Company recognizes lifetime ECL for accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12-months after the reporting date.

q) Compound instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar non-convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method. Interest and accretion expense are recognized as a finance cost in the statements of loss and comprehensive loss.

3. Material accounting policies (continued)

r) Critical accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

The following are the critical estimates and judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) *Inventory*

A number of estimates are required in calculating the net realizable value of inventory. The estimates include the fair value of cannabis at the point of harvest, further processing costs to be incurred, sales price, shipping costs, and expected sales volume.

(ii) *Biological assets*

Management is required to make a number of estimates in calculating the fair value less costs to sell of biological assets. Their estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, post harvest costs, selling costs, wastage, sales price and expected yields.

(iii) Impairment assessment and *estimated useful lives and amortization of property, plant and equipment*

Amortization of property, plant and equipment is dependent upon estimates of useful lives and residual values based on management's judgment.

The assessment of any impairment of the Company's property, plant and equipment is dependent upon estimate of the recoverable amounts of these assets. The determination of whether triggering events require an assessment of the recoverable amount of the asset requires judgement. If triggering events are identified, the recoverable amount is determined based on the higher of the value in use and fair value less costs of disposal. The process to calculate the fair value less costs of disposal require use of valuation methods such as market and cost approaches which uses key inputs and assumptions such as market transactions, inflation indices and discount factors. The process to calculate the value in use requires the use of a discounted cash flow method which uses assumptions or key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applies judgement when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal.

(iv) *Share-based compensation*

A fair value assessment of the Company's share price and certain assumptions relating to the volatility and expected life of options granted, with an estimated forfeiture rate, are required for the purpose of valuing share-based compensation. Certain assumptions made in the calculations of inputs into the fair value assessment are based on management's judgment and reference to comparable companies within the industry sector.

(v) *Leases*

Where the borrowing rate is not implicit in the lease, management estimate's the Company's incremental borrowing rate to discount the lease payments on initial recognition.

(vi) *Going concern*

For the purpose of assessing the Company's going concern basis, management must make estimates regarding future prices of cannabis products, sales volume, production costs, as well as future costs of operating and capital expenditure.

(vii) *Expected loss rate*

The expected credit losses for trade receivables are based on assumptions about risk of default. The Company uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculation based on the Company's past history and existing market conditions at the end of each reporting year.

3. Material accounting policies (continued)

(viii) *Convertible debentures*

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its convertible debentures. The fair values are determined using a valuation model requiring inputs which are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

Management is required to make an estimate of the discount rate used in calculating the present value of the convertible debenture and related interest equal to the market rate that would be given for similar debt, without a conversion feature. Management determines this rate by assessing what rate the Company could borrow funds at from an unrelated party.

s) Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax‐related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

t) New accounting policies

The Company adopted the following new standards and amendments to standards. These changes did not have a material impact on these Financial Statements.

- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IFRS 17 – Insurance Contracts

The following new accounting standards and amendments will become effective in a future year and are not expected to have a significant impact on the Company's financial statements.

- Amendments to IFRS 16
- Amendments to IAS 1

u) Reclassification of comparative accounts

The Company has reclassified certain items on the comparative statements of financial position and statements of cash flows to improve clarity. These reclassifications consist of groupings of similar accounts such as accounts payable and accrued liabilities and accounts payable to related parties. On the statements of cash flows, interest expense accrued to related party has been added to operating activities and deducted from accounts payable to related parties and lease payments accrued have been removed from financing activities and netted against accounts payable to related parties.

(expressed in Canadian Dollars)

4. Inventory

The following is a summary of inventory activity for the years ended March 31, 2024 and 2023:

	2024	2023
Balance, beginning of the year	$ 1,493,123	$ 2,325,518
Transferred from biological assets on harvest	2,826,873	3,476,024
Processing costs capitalized	3,219,972	1,831,822
Inventory sold – cash and amortization costs	(5,365,626)	(4,007,394)
Inventory impairment – cash and amortization costs	(199,945)	(354,256)
Biological transformation adjustment relieved from inventory	(321,672)	(1,778,591)
Balance, end of the year	**$ 1,652,725**	**$ 1,493,123**

As at March 31, 2024, and March 31, 2023, inventory consisted of:

	2024	2023
Inventory finished goods	$ 1,389,920	$ 1,581,123
Inventory-in-process, dried flower	462,750	266,256
Inventory impairment	(199,945)	(354,256)
Balance, end of the year	**$ 1,652,725**	**$ 1,493,123**

During the years ended March 31, 2024 and 2023, the Company incurred cost of sales consisting of:

	2024	2023
Cash inputs for cultivation and processing	$ 3,960,781	$ 3,033,397
Shipping	97,794	74,360
Repairs and maintenance	43,148	46,304
	4,101,723	3,154,061
Amortization	1,263,903	853,333
Cost of sales	**$ 5,365,626**	**$ 4,007,394**

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:

	2024	2023
Balance, Beginning of year	$ 269,310	$ 459,442
Capitalized costs	2,601,917	2,025,594
Increase in fair value due to biological transformation	321,672	1,260,298
Less: transformation into inventory	(2,826,873)	(3,476,024)
Balance, end of year	**$ 366,026**	**$ 269,310**

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 March 31, 2024, the Company's biological assets were comprised of 12,024 plants (2023 – 6,519) which were, on average, 43% (2023 – 43%) complete and it was expected that they would yield approximately 1,488 kg (2023 - 1,193 kg) of dry flower.

Biological assets as at March 31, 2024 include $99,598 (2023 - $59,106) of amortization expense.

(expressed in Canadian Dollars)

5. Biological assets (continued)

The following table quantifies each significant unobservable input:

	2024	2023
Weighted average expected loss of plants until harvest	1%	1%
Expected dry-bud yield (average grams per plant)	125 grams	170 grams
Expected average number of growing weeks	14 weeks	14 weeks
Estimated selling price of dry bud (per gram)	$1.10	$1.10
Post-harvest cost to complete and sell (per gram)	$0.50	$0.45

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.

	2024	2023
	$	$
Weighted average expected loss of plants until harvest	368	257
Expected dry-bud yield (average grams per plant)	36,441	25,156
Expected number of growing weeks	33,128	23,126
Estimated selling price of dry bud (per gram)	38,176	28,348
Post-harvest cost to complete and sell (per gram)	17,353	11,714

(expressed 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	—	—	—	—	1,192,368	93,150	—	—	1,285,518
March 31, 2024	**—**	**—**	**—**	**—**	**22,161,524**	**362,858**	**167,876**	**9,719,434**	**32,411,692**
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	—	—	—	—	1,209,719	25,302	3,315	565,988	1,804,324
March 31, 2024	**—**	**—**	**—**	**—**	**2,415,431**	**60,537**	**28,494**	**1,492,256**	**3,996,718**
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
March 31, 2024	**—**	**—**	**—**	**—**	**19,746,093**	**302,321**	**139,382**	**8,227,178**	**28,414,974**

Of the amortization incurred in the year ended March 31, 2024, $406,796 (2023 - $237,112) 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. In addition, $49,349 (2023 - $75,640) of amortization has been included in inventory impairment charge.

As at March 31, 2024, $411,262 and $99,598 (2023 - $367,478 and $59,106) of amortization was capitalized to inventory and biological assets, respectively.

As at March 31, 2024, included in leasehold improvements is $nil of assets under construction (2023 - $10,451,630).

During the year ended March 31, 2024, the Company had no disposals of property, plant and equipment. During the year ended March 31, 2023, the Company disposed of land, greenhouse, building, and warehouse equipment having a combined net book value of $6,845,482 for net proceeds of $7,038,966 resulting in a gain on disposal of $193,484.

During the year ended March 31, 2024, the Company identified indicators of impairment with respect to leasehold improvements. The Company performed an impairment assessment using the fair market value approach and determined that the recoverable amount exceeded carrying value, resulting in no impairment charge.

(expressed 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 accrued	(850,000)
Interest expense	516,222
March 31, 2023	**$ 9,016,374**
Sub-lease to related party (note 11)	(150,000)
Lease payments accrued	(700,000)
Interest expense	482,125
March 31, 2024	**$ 8,648,499**

For the year ended March 31, 2024, the Company recognized an interest expense on lease liabilities in the amount of $482,125 (2023 – $516,222) in the statements of loss and comprehensive loss.

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 sub-leased a portion of the unutilized square footage expansion to Via Verde Hydroponics (note 11).

A maturity analysis of lease liabilities as at March 31, 2024 is as follows:

$	
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
Year ending March 31, 2029	850,000
Thereafter	8,595,833
	12,845,833
Interest due over the term of the lease	4,197,334
	8,648,499
Less: Current portion	372,997
	8,275,502

(expressed in Canadian Dollars)

8. Long-term debt

	March 31, 2024	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
	4,900,000	4,940,000
Deduct		
Principal portion included in current liabilities	**-**	40,000
	4,900,000	4,900,000

Total long-term debt repayments are outlined in note 18.

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. As at March 31,2024, $113,750 (2023 - $nil) of interest has been accrued and included in accounts payable and accrued liabilities.

During the year ended March 31, 2024, interest expense on long-term debt amounted to $269,500 (2023 – $564,491) and deferred financing fees of $nil (2023 - $29,330) were recognized on the statements of loss and comprehensive loss.

9. Convertible debentures

	Debt component	Equity conversion feature
Balance, March 31, 2023	-	-
Issued at fair value	2,420,926	462,644
Accretion during the year	50,892	-
Balance, March 31, 2024	2,471,818	462,644

On October 27, 2023, the Company issued 3,500 13% secured convertible debentures (the "Debentures"), with each Debenture being in the principal amount of $1,000 for gross proceeds of $3,500,000, maturing 5 years from the issuance date. The principal amount of each Debenture is convertible into Common Shares at the option of the holder at any time prior to the close of business on the last business day immediately preceding the Maturity Date at a conversion price of $0.20 per Common Share. Following the date that is 36 months from the date of issue, the Company shall have the right, but not the obligation, upon prior written notice to the holders of the Debenture of not less than 30 days, to accelerate the Maturity Date of the Debentures. Issuance costs related to the transaction total $486,919, as well as 1,183,000 Finders' warrants of $129,511 as described in note 15. In connection with the above transaction, $120,000 of investor relation services were rendered in exchange for 120 of the secured convertible debentures.

Semi-annual interest payments will be comprised of a cash payment at a rate of 10% per annum and a payment-in-kind at a rate of 3% per annum, which shall be fulfilled by delivering Common Shares at an issuance price per Common Share equal to the five-day volume-weighted average price of the Common Shares on the CSE immediately preceding the date which is two trading days prior to the date that the interest payment is due, subject to such deemed issuance price being no less than the maximum allowable discount permitted by the CSE.

At issuance, the fair value of the liability component of the Debentures was calculated using a discount rate of 18%, estimating the rate for the Debentures without the equity conversion feature attached.

(expressed in Canadian Dollars)

10. Share capital

Authorized

An unlimited number of common shares.

Issued

There are 131,314,524 common shares issued and outstanding at March 31, 2024 (March 31, 2023 – 130,924,747).

Escrow

As at March 31, 2024, there are 15,347,775 shares held in escrow to be released as follows:

- 15,234,775 on September 22, 2024

Activity

During the year ended March 31, 2024, the Company issued 964,285 common shares at $0.28 per share ($270,000) for investor relations services rendered of $270,000, 320,000 common shares at $0.18 per share ($57,600) for construction services of $80,000 regarding the recently completed facility expansion, resulting in a gain on settlement of $22,400 that was netted against costs in property, plant and equipment, and 105,492 common shares at $0.18 ($18,989) for interest of $18,989 related to the convertible debenture offering as disclosed in note 9.

On December 5, 2023, 1,000,000 common shares were returned to the Company for cancellation for no consideration by the Company’s largest shareholder, Sunrite Greenhouses Ltd.

During the year ended March 31, 2023, there was no activity.

11. Related party transactions

Key management personnel are the officers and directors of the Company. Management and directors’ fees and share-based compensation for the year ended March 31, 2024 and 2023, are summarized as follows:

	2024	2023
	$	$
Management and directors' fees	**405,250**	408,942
Share-based compensation	**414,500**	432,150
	819,750	841,092

(expressed in Canadian Dollars)

11. 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
CFO Advantage Inc.	Management fees	Corporation owned by the Chief Financial Officer

The Company shares certain economic resources with related parties resulting in the following expenses billed in the year ended March 31, 2024 and 2023, from related parties:

Description	Related Party		Year ended March 31,	
			2024	2023
			$	$
General Labour	Via Verde Hydroponics Ltd.	Cost of sales	**439,412**	342,968
General Labour	Sunrite Greenhouses Ltd.	Cost of sales	**183,368**	157,210
Utilities	Via Verde Hydroponics Ltd.	Cost of sales	**336,125**	254,210
Administrative Wages	Del Fresco Produce Ltd.	General and admin	**81,458**	85,818
Insurance	Via Verde Hydroponics Ltd.	General and admin	**7,360**	12,438
Executive Wages	Del Fresco Produce Ltd.	General and admin	**45,000**	60,000
Executive Wages	CFO Advantage Inc.	General and admin	**5,250**	-
Sub-Lease Income	Via Verde Hydroponics Ltd.	Interest expense	**150,000**	-
Interest	Sunrite Greenhouses Ltd.	Interest expense	**269,500**	269,500

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 have been recorded as right-of-use assets as described in Note 6.

Previously, 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 was paid monthly. The lease agreement was terminated on January 19, 2023, in conjunction with the sale of the greenhouse. During the year ended March 31, 2024, the Company recognized $nil of rental income (2023 - $187,500) under this agreement.

As at March 31, 2024, there was a balance owing to related parties noted above of $3,763,519 (March 31, 2023 – $3,008,378) included in accounts payable.

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

(expressed in Canadian Dollars)

12. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2023 - 26.5%) to the effective tax rate is as follows:

	2024 **$**	2023 $
Net income (loss) before recovery of income taxes	**(4,722,663)**	(2,605,705)
Expected income tax (recovery) expense	**(1,251,510)**	(690,510)
Share based compensation and other non-deductible expenses	**201,130**	186,600
Share issuance costs booked directly to equity	**-**	(54,000)
Change in tax benefits not recognized	**1,050,380**	557,910
Income tax (recovery)	**-**	-

The following table summarizes the components of deferred tax:

	2024 **$**	2023 $
Deferred tax assets		
Capital lease obligation	**2,180,200**	2,330,190
Operating tax losses carried forward	**407,850**	-
	2,588,050	2,330,190
Deferred tax liabilities		
Right-of-use assets	**(2,180,200)**	(2,330,190)
Inventory	**(135,380)**	-
Convertible debentures	**(274,470)**	-
	(2,588,050)	(2,330,190)
Net deferred tax liability	**-**	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

(expressed in Canadian Dollars)

12. Income taxes (continued)

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2024	2023
	$	$
Property, plant and equipment	**3,490,070**	4,688,430
Capital lease obligation	**421,320**	413,140
Share issuance costs	**913,710**	203,770
Reserves	**-**	41,310
Operating tax losses carried forward	**10,373,420**	7,339,120
Capital losses carried forward	**190,000**	190,000

The Canadian operating tax loss carry forwards expire as noted in the table below. The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian operating tax losses expire as follows:

Expiry	**Amount ($)**
2039	92,620
2040	900,490
2041	1,749,760
2042	1,368,080
2043	3,228,170
2044	3,034,300
	10,373,420

13. 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.

(expressed in Canadian Dollars)

14. Stock options

During the year ended March 31, 2024, 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, 2024	**10,293,000**	**0.54**
Granted during the year	5,325,000	0.46
Forfeited during the year	(7,725,000)	0.60
Exercised during the year	—	—
Expired during the year	(500,000)	0.31
Outstanding at March 31, 2024	**7,393,000**	**0.44**
Exercisable at March 31, 2024	**7,393,000**	**0.44**

As a result of cancelled and expired stock options, $1,423,209 (2023 - $nil) has been reclassified from share-based payments to deficit.

The following lists the options outstanding and exercisable at March 31, 2024:

Expiry Date	Options Outstanding	Remaining Life (Years)	Options Exercisable	Exercise Price
Options				$
September 22, 2024	1,775,000	0.48	1,775,000	0.25
September 22, 2024	743,000	0.48	743,000	0.50
April 14, 2025	50,000	1.04	50,000	1.65
November 30, 2028	375,000	4.67	375,000	0.26
November 30, 2028	4,450,000	4.67	4,550,000	0.50
Balance March 31, 2024	**7,393,000**		**7,393,000**	**0.44**

(expressed in Canadian Dollars)

14. Stock options (continued)

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

	March 31, 2024	March 31, 2023
Share price ($)	0.26	0.86 – 0.96
Exercise price ($)	0.26-0.50	1.10 - 1.65
Expected life	5 years	3 – 5 years
Volatility*	98%	70%
Dividend yield	0%	0%
Risk-free interest rate	3.64% - 4.68%	2.47% - 2.90%

*Current volatility is determined by actual results from the date of public listing. Volatility at March 31, 2023 was determined by reference to the volatilities of several comparable entities.

During the year ended March 31, 2024, the Company recognized $751,594, (2023 - $692,888) in share-based compensation in connection with the options granted.

15. Warrants

The Company's warrants and finders' warrants as at March 31, 2024 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
Issued during the year	-	-	-	-
Expired during the year	7,272,728	1.65	-	-
March 31, 2023	-	-	502,090	1.65
Issued during the year	-	-	1,183,000	0.20
Expired during the year	-	-	(502,090)	1.65
Outstanding at March 31, 2024	**-**	**-**	**1,183,000**	**0.20**

The 502,090 warrants issued at an exercise price of $1.65 expired on December 24, 2023.

The 1,183,000 warrants issued at an exercise price of $0.20 expire on October 27, 2026.

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

Share price	$	0.18
Exercise price	$	0.20
Expected life		3 years
Volatility		98%
Dividend yield		0%
Risk-free interest rate		4.45%

(expressed in Canadian Dollars)

16. General and administrative expenses

For the years ended March 31	2024	2023
	$	$
Management and directors' fees	405,250	408,942
Office and general	446,982	503,083
Salaries and wages	357,846	347,637
Insurance	103,103	93,610
	1,313,181	1,353,272

17. Income (loss) per share

Income (loss) per share for the years ended March 31, 2024 and 2023 is calculated as follows:

	2024	2023
Basic loss per share:		
Net loss for the period	$ (4,722,663)	$ (2,605,705)
Average number of common shares outstanding during the period	131,367,831	130,924,747
Income (loss) per share - basic	$ (0.04)	$ (0.02)
	2024	2023
Diluted loss per share:		
Net loss for the period	$ (4,722,663)	$ (2,605,705)
Average number of common shares outstanding during the year	131,367,831	130,924,747
"In the money" options outstanding during the period (i), (ii), and (iii)	-	-
	131,367,831	130,924,747
Loss per share - diluted	$ (0.04)	$ (0.02)

(i) 2,150,000 in-the-money stock options (2023 – 4,550,000) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive

(ii) 1,183,000 finders' warrants (2023 – 502,090) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive

(iii) 17,500,000 options to convert debentures into common stock (2023 – nil) have not been included in the calculation of diluted loss per share as their impact would be anti-dilutive

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 March 31, 2024, the Company had invested no such funds in liquid investments.

(expressed in Canadian Dollars)

18. Risk Management (continued)

18.2 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 year ended March 31, 2024, 48% (2023 – 59%) of revenue resulted from product sold to the top 3 customers, of which these customers represented an aggregate of $288,933 (2023 - $440,978) of the accounts receivable balance at March 31, 2024.

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 March 31, 2024, the most significant financial liabilities are accounts payable and accrued liabilities, long-term debt, and convertible debentures.

As at March 31, 2024 and 2023, the Company's financial instruments have contractual maturities as summarized below:

March 31, 2024	**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	1,390,240	-	-	-	-	1,390,240
Accounts payable to related parties	3,763,519	-	-	-	-	3,763,519
Long-term debt	-	-	-	-	4,900,000	4,900,000
Convertible debentures	-	-	-	-	3,500,000	3,500,000
Total	**5,153,759**	**-**	**-**	**-**	**8,400,000**	**13,553,759**

March 31, 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	3,392,400	-	-	-	-	3,392,400
Accounts payable to related parties	3,008,378	-	-	-	-	3,008,378
Long-term debt	40,000	-	-	-	4,900,000	4,940,000
Total	**6,440,778**	**-**	**-**	**-**	**4,900,000**	**11,340,778**

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.

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.

(expressed in Canadian Dollars)

19. Supplementary disclosure

The Company has provided the following supplementary disclosure related to the statements of cash flows for the year ended March 31, 2024:

Shares issued to settle accounts payable related to property, plant and equipment	57,600
Shares issued for payment-in-kind interest	18,989
Decrease in accounts payable related to investing activities	(1,631,781)
Interest received, netted against interest expense	51,438

20. Subsequent Events

On April 1, 2024, the Company agreed to sub-lease a portion of the unutilized square footage expansion to Via Verde Hydroponics for a term of 12 months concluding on March 31, 2025 for $200,000.

On June 30, 2024, in satisfaction of the payment-in-kind interest of 3% per annum, the Company issued 214,284 Common Shares at an issuance price of $0.245 per Common Share for interest of $52,500.