GREENWAY GREENHOUSE CANNABIS CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended June 30, 2024 and 2023

(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	June 30, 2024 $	March 31, 2024 $
Assets			
Current assets			
Cash		**1,566,228**	1,530,810
Accounts receivable		**1,414,298**	920,575
Inventory	4	**1,204,398**	1,652,725
Biological assets	5	**377,003**	366,026
Prepaid expenses and deposits		**183,412**	204,015
		4,745,339	4,674,151
Property, plant and equipment	6	**27,949,851**	28,414,974
		32,695,190	33,089,125
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,421,194**	1,390,240
Accounts payable to related parties	11	**3,885,983**	3,763,519
Current portion of lease liabilities	7	**378,292**	372,997
		5,685,469	5,526,756
Lease liabilities	7	**8,178,920**	8,275,502
Long-term debt	8	**4,900,000**	4,900,000
Convertible debentures	9	**2,504,730**	2,471,818
		21,269,119	21,174,076
Shareholders' Equity			
Share capital	10	**24,096,478**	24,043,978
Warrants reserve	14	**295,201**	295,201
Share-based payments reserve	13	**4,865,889**	4,865,889
Equity component of convertible debentures	9	**462,644**	462,644
Deficit		**(18,294,141)**	(17,752,663)
		11,426,071	11,915,049
		32,695,190	33,089,125

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

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

	Notes	For the three months ended June 30, 2024 $	2023 $
Gross revenue		**2,413,067**	1,174,189
Excise taxes		**(18,908)**	-
Net revenue		**2,394,159**	1,174,189
Cost of sales			
Cost of goods sold	4,11	**1,567,437**	747,170
Amortization	4,6	**483,800**	214,361
Gross profit before fair value adjustments		**342,922**	212,658
Fair value adjustment on sale of inventory		**-**	-
Fair value adjustment on growth of biological assets	5	**-**	48,226
Gross profit		**342,922**	260,884
Operating expenses			
General and administration	11,15	**344,019**	315,004
Amortization	6	**105,060**	75,482
Share-based compensation	11,13	**-**	166,350
Professional fees		**100,564**	36,196
Marketing and sales		**65,708**	59,411
Investor relations	9,10	**-**	270,000
Bad debt		**-**	268,237
		615,351	1,190,680
Operating loss		**(272,429)**	(929,796)
Interest expense	7,8,9,11	**(269,049)**	(179,985)
Loss and comprehensive loss		**(541,478)**	(1,109,781)
Weighted average number of common shares - basic		**131,316,879**	130,924,747
Weighted average number of common shares - diluted		**131,316,879**	130,924,747
Basic and diluted loss per share	16	**(0.00)**	(0.01)

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

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Changes in Equity
(Unaudited - in Canadian dollars)

For the three months ended June 30, 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, 2023		130,924,747	23,697,389	165,690	5,537,504	-	(14,453,209)	14,947,374
Share-based payments	13	-	-	-	166,350	-	-	166,350
Net loss		-	-	-	-	-	(1,109,781)	(1,109,781)
Balance, June 30, 2023		130,924,747	23,697,389	165,690	5,703,854	-	(15,562,990)	14,003,943

For the three months ended June 30, 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, 2024		**131,314,524**	**24,043,978**	**295,201**	**4,865,889**	**462,644**	**(17,752,663)**	**11,915,049**
Shares issued for services rendered	**10**	**214,284**	**52,500**	**-**	**-**	**-**	**-**	**52,500**
Net loss		**-**	**-**	**-**	**-**	**-**	**(541,478)**	**(541,478)**
Balance, June 30, 2024		**131,528,808**	**24,096,478**	**295,201**	**4,865,889**	**462,644**	**(18,294,141)**	**11,426,071**

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

Greenway Greenhouse Cannabis Corporation
Condensed Interim Statements of Cash Flows
(Unaudited - in Canadian dollars)

	Notes	For the three months ended June 30, 2024 $	2023 $
Cash provided by (used in) operating activities:			
Net income (loss) for the period		**(541,478)**	(1,109,781)
Items not affecting cash			
Amortization	6	**465,123**	392,080
Share-based compensation	13	**-**	166,350
Interest expense accrued to related party	11	**67,375**	67,375
Accretion on lease liabilities, net of sub-lease to related party	7	**71,213**	126,073
Accretion on convertible debentures	9	**32,912**	-
Shares issued for services rendered	10	**52,500**	270,000
Fair value adjustment on growth of biological assets	5	**-**	(48,226)
Cash provided by (used in) operating activities before net non-cash working capital adjustments		**147,645**	(136,129)
Decrease (increase) in:			
Accounts receivable		**(493,723)**	412,925
Government remittances receivable		**-**	(139,809)
Inventory and biological assets		**437,350**	(267,135)
Prepaid expenses and deposits		**20,603**	38,139
Increase (decrease) in:			
Accounts payable and accrued liabilities		**50,954**	(410,065)
Accounts payable to related parties	11	**(107,411)**	(340,670)
Net cash provided by (used in) operating activities		**55,418**	(842,744)
Cash used in investing activity			
Purchase of property, plant and equipment		**(20,000)**	(524,207)
Net increase (decrease) in cash		**35,418**	(1,366,951)
Cash, beginning of period		**1,530,810**	3,642,109
Cash, end of period		**1,566,228**	2,275,158

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 August 26, 2024.

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, 2024, 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 condensed interim 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 June 30, 2024, the Company had a working capital deficiency of $940,130 (March 31, 2024 working capital deficiency of $852,605) and an accumulated deficit of $18,294,141 (March 31, 2024 – accumulated deficit of $17,752,663). For the three months ended June 30, 2024, the Company generated cash from operating activities of $55,418 (three months ended June 30, 2023 – used $842,744), resulting primarily from items not affecting cash such as amortization, 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.

(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 condensed interim 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. Material 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, 2024. 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.

The company has also reclassified certain items on the comparative condensed interim statements of cash flows to improve clarity. 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.

4. Inventory

The following is a summary of inventory activity for the three months ended June 30, 2024 and 2023:

	2024	2023
Balance, beginning of period	$ 1,652,725	$ 1,493,123
Transferred from biological assets on harvest	627,531	606,196
Processing costs capitalized	975,379	605,951
Inventory sold – cash and amortization costs	(2,051,237)	(927,665)
Balance, end of period	**$ 1,204,398**	**$ 1,777,605**

As at June 30, 2024, and March 31, 2024, inventory consisted of:

	June 30, 2024	March 31, 2024
Inventory finished goods	$ 638,254	$ 1,389,920
Inventory-in-process, dried flower	566,144	462,750
Inventory impairment	-	(199,945)
Balance	**$ 1,204,398**	**$ 1,652,725**

During the three months ended June 30, 2024 and 2023, the Company incurred cost of sales before fair value adjustments consisting of:

	2024	2023
Cash inputs for cultivation and processing	$ 1,513,490	$ 713,304
Shipping	30,203	23,741
Repairs and maintenance	23,744	10,125
	1,567,437	747,170
Amortization	483,800	214,361
Cost of sales before fair value adjustments	**$ 2,051,237**	**$ 961,531**

(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 are as follows:

	2024	2023
Balance, beginning of period	$ 366,026	$ 269,310
Capitalized costs	638,508	588,849
Increase in fair value due to biological transformation	-	48,226
Less: transformation into inventory	(627,531)	(606,196)
Balance, end of period	**$ 377,003**	**$ 300,189**

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 June 30, 2024, the Company's biological assets were comprised of 11,364 plants (March 31, 2024 – 12,024 plants) which were, on average, 59% (March 31, 2024 – 43%) complete and it was expected that they would yield approximately 831 kg (March 31, 2024 – 1,488 kg) of dry flower.

Biological assets as at June 30, 2024 include $97,230 (March 31, 2024 - $99,598) of amortization expense.

The following table quantifies each significant unobservable input for the three months ended June 30, 2024, and June 30, 2023:

	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)	$0.55	$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 for the three months ended June 30, 2024, and June 30, 2023:

	2024	2023
	$	$
Weighted average expected loss of plants until harvest	420	303
Expected dry-bud yield (average grams per plant)	41,533	30,019
Expected number of growing weeks	37,757	33,354
Estimated selling price of dry bud (per gram)	45,686	31,448
Post-harvest cost to complete and sell (per gram)	24,920	12,865

(Unaudited - in Canadian Dollars)

6. Property, plant and equipment

	Leasehold improvements	Production equipment	Office furniture and computer equipment	Right-of-use assets	Total
Cost	**$**	**$**	**$**	**$**	**$**
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
Additions	—	—	—	—	—
June 30, 2024	**22,161,524**	**362,858**	**167,876**	**9,719,434**	**32,411,692**
Accumulated amortization					
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
Amortization	310,969	7,258	18,282	128,614	465,123
June 30, 2024	**2,726,400**	**67,795**	**46,776**	**1,620,870**	**4,461,841**
Net book value					
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
June 30, 2024	**19,435,124**	**295,063**	**121,100**	**8,098,564**	**27,949,851**

Of the amortization incurred in the three months ended June 30, 2024, $483,800 (2023 - $214,361) has been charged to cost of sales, $105,060 (2023 - $75,482) has been expensed in operating expenses and the remainder has been recorded through the Company’s inventory and biological assets costing in accordance with IAS 2 Inventories.

As at June 30, 2024, $289,893 and $97,230 (2023 - $367,478 and $59,106) of amortization was capitalized to inventory and biological assets, respectively.

(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, 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**
Sub-lease to related party (note 11)	(50,000)
Lease payments accrued	(162,500)
Interest expense	121,213
June 30, 2024	**$ 8,557,212**

For the three months ended June 30, 2024, the Company recognized an interest expense on lease liabilities in the amount of $121,213 (2023 – $126,073) 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 at a rate of $200,000 per year until March 31, 2025 (note 11).

A maturity analysis of lease liabilities as at June 30, 2024 is as follows:

For the years ending	
March 31, 2025	$ 637,500
March 31, 2026	850,000
March 31, 2027	850,000
March 31, 2028	850,000
March 31, 2029	850,000
Thereafter	8,595,833
	12,633,833
Interest due over the term of the lease	(4,076,121)
	8,557,212
Less: Current portion	378,292
	$ 8,178,920

(Unaudited - in Canadian Dollars)

8. Long-term debt

	June 30, 2024	March 31, 2024
	$	$
Subordinated Credit Facility - $4,900,000 – 5.50%, interest accrues and no current terms for repayment	**4,900,000**	4,900,000
	4,900,000	4,900,000
Deduct		
Principal portion included in current liabilities	**-**	-
	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 months ended June 30, 2024, interest expense on long-term debt of $67,375 (2023 – $67,375) was 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
Accretion during the three months	32,912	-
Balance, June 30, 2024	2,504,730	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 14. 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.

As at June 30, 2024, $nil (March 31, 2024 - $113,750) of interest has been accrued and included in accounts payable and accrued liabilities.

(Unaudited - in Canadian Dollars)

10. Share capital

Authorized

An unlimited number of common shares.

Issued

There are 131,528,808 common shares issued and outstanding at June 30, 2024 (March 31, 2024 – 131,314,524).

Escrow

As at June 30, 2024, there are 15,347,775 shares held in escrow to be released on September 22, 2024.

Activity

During the three months ended June 30, 2024, the Company issued 214,284 common shares at $0.245 per share ($52,500) for interest of $52,500 related to the convertible debenture offering in note 9.

During the three months ended June 30, 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 three months ended June 30, 2024 and 2023, are summarized as follows:

	2024	2023
Management and directors' fees	**$ 99,250**	$ 103,750
Share-based compensation	**-**	102,000
	$ 99,250	$ 205,750

(Unaudited - 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 (sub-lease income charged) in the three months ended June 30, 2024 and 2023, from related parties:

Description	Related Party		Three months ended June 30,	
			2024	2023
			$	$
General Labour	Via Verde Hydroponics Ltd.	Cost of sales	**4,077**	92,621
General Labour	Sunrite Greenhouses Ltd.	Cost of sales	**48,973**	36,719
Utilities	Via Verde Hydroponics Ltd.	Cost of sales	**103,887**	60,977
Administrative Wages	Del Fresco Produce Ltd.	General and admin	**30,400**	20,130
Executive Wages	Del Fresco Produce Ltd.	General and admin	**-**	14,231
Executive Wages	CFO Advantage Inc.	General and admin	**10,500**	-
Sub-lease Income	Via Verde Hydroponics Ltd.	Interest expense, net	**(50,000)**	-
Interest	Sunrite Greenhouses Ltd.	Interest expense	**67,375**	67,375

The Company has entered into a lease for approximately 57,000 square feet of greenhouse and warehouse space with Via Verde Hydroponics Ltd. The lease agreement commenced May 1, 2019 and the annual rent is $250,000. As of April 1, 2022, the Company 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.

As at June 30, 2024, there was a balance owing to related parties noted above of $3,885,983 (March 31, 2024 – $3,763,519) included in accounts payable.

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

(Unaudited - in Canadian Dollars)

12. Capital management

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

The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable growth. The Company is not subject to externally imposed capital requirements.

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

13. Stock options

During the three months ended June 30, 2024 and 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, 2023	**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**
March 31, 2024	**7,393,000**	**0.44**
Granted during the period	—	—
Forfeited during the period	—	—
Exercised during the period	—	—
Expired during the period	—	—
Outstanding at June 30, 2024	**7,393,000**	**0.44**
Exercisable at June 30, 2024	**7,393,000**	**0.44**

The following lists the options outstanding and exercisable at June 30, 2024:

Expiry Date	Options Outstanding	Remaining Life (Years)	Options Exercisable	Exercise Price
Options				$
September 22, 2024	1,775,000	0.23	1,775,000	0.25
September 22, 2024	743,000	0.23	743,000	0.50
April 14, 2025	50,000	0.79	50,000	1.65
November 30, 2028	375,000	4.42	375,000	0.26
November 30, 2028	4,450,000	4.42	4,450,000	0.50
Balance June 30, 2024	**7,393,000**		**7,393,000**	**0.44**

(Unaudited - in Canadian Dollars)

13. Stock options (continued)

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

	June 30, 2024	June 30, 2023
Share price ($)	N/A	0.86 – 0.96
Exercise price ($)	N/A	1.10 - 1.65
Expected life	N/A	3 – 5 years
Volatility	N/A	70%
Dividend yield	N/A	0%
Risk-free interest rate	N/A	2.47% - 2.90%

N/A – not applicable as no options were granted during the three months ended June 30, 2024. Volatility at June 30, 2023 was determined by reference to the volatilities of several comparable entities.

During the three months ended June 30, 2024, the Company recognized $nil (2023 - $166,350) in share-based compensation in connection with the options granted.

14. Warrants

The Company's warrants as at June 30, 2024 are as follows:

	Number of Warrants	Exercise Price $
March 31, 2023	**502,090**	**1.65**
Issued during the year	1,183,000	0.20
Expired during the year	(502,090)	1.65
March 31, 2024	**1,183,000**	**0.20**
Issued during the period	-	-
Expired during the period	-	-
Outstanding at June 30, 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%

(Unaudited - in Canadian Dollars)

15. General and administrative expenses

For the three months ended June 30	2024	2023
Management and directors' fees	$ 99,250	$ 103,750
Office and general	124,496	87,418
Salaries and wages	100,361	90,515
Insurance	19,912	33,321
	$ 344,019	$ 315,004

16. Loss per share

Loss per share for the three months ended June 30, 2024 and 2023 is calculated as follows:

	2024	2023
Basic loss per share:		
Net loss for the period	$ (541,478)	$ (1,109,781)
Average number of common shares outstanding during the period	131,316,879	130,924,747
Loss per share - basic	$ (0.00)	$ (0.01)

	2024	2023
Diluted loss per share:		
Net loss for the period	$ (541,478)	$ (1,109,781)
Average number of common shares outstanding during the period	131,316,879	130,924,747
"In the money" options outstanding during the period (i), (ii), and (iii)	-	-
	131,316,879	130,924,747
Loss per share - diluted	$ (0.00)	$ (0.01)

(i) Nil 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 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

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 June 30, 2024, 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 three months ended June 30, 2024, 43% (2023 – 68%) of revenue resulted from product sold to the top 3 customers, of which these customers represented an aggregate of $237,737 (2023 - $161,141) of the accounts receivable balance at June 30, 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 June 30, 2024, the most significant financial liabilities are accounts payable and accrued liabilities, long-term debt, and convertible debentures.

As at June 30, 2024 and March 31, 2024, the Company's financial instruments have contractual maturities as summarized below:

June 30, 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	1,421,194	-	-	-	-	1,421,194
Accounts payable to related parties	3,885,983	-	-	-	-	3,885,983
Long-term debt	-	-	-	-	4,900,000	4,900,000
Convertible debentures	-	-	-	-	3,500,000	3,500,000
Total	**5,307,177**	**-**	**-**	**-**	**8,400,000**	**13,707,177**

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**

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.

17.3 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.