DELTA 9 CANNABIS INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2024

(EXPRESSED IN CANADIAN DOLLARS)

DELTA 9 CANNABIS INC.

INDEX TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2023

DELTA 9 CANNABIS INC.

STATEMENT 1

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)
(CANADIAN DOLLARS)

AS AT

	March 31, 2024	December 31, 2023
ASSETS		
CURRENT		
Cash *(Note 5)*	**$ 1,265,245**	$ 2,153,346
Trade and other receivables *(Note 6)*	**2,079,802**	1,919,339
Inventories *(Note 7)*	**10,328,148**	11,000,403
Biological assets *(Note 8)*	**1,090,904**	1,086,182
Current portion of notes receivable *(Note 10)*	**68,711**	85,142
Prepayments and other current assets *(Note 9)*	**1,274,878**	1,891,671
Due from directors, officers and related parties *(Note 17)*	**110,464**	113,262
	16,218,152	18,249,345
NOTES RECEIVABLE *(Note 10)*	**154,361**	137,830
PROPERTY, PLANT AND EQUIPMENT *(Note 11)*	**20,521,575**	21,917,066
RIGHT-OF-USE ASSETS *(Note 18)*	**18,603,895**	19,051,865
INVESTMENTS *(Note 13)*	**533,333**	533,333
GOODWILL *(Note 12)*	**14,198,669**	14,198,669
	$ 70,229,985	$ 74,088,108
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 14)*	**$ 13,896,550**	$ 13,938,998
Customer deposits *(Note 15)*	**521,101**	521,101
Due to shareholder *(Note 17)*	**48,951**	48,951
Current portion of deferred revenue *(Note 16)*	**322,561**	317,017
Current portion of lease liabilities *(Note 18)*	**1,967,837**	1,961,646
Current portion of borrowings *(Note 19)*	**28,896,615**	29,311,297
Current portion of convertible debentures *(Note 20)*	**9,219,651**	-
	54,873,266	46,099,010
LOAN FROM RELATED PARTIES *(Note 17)*	**2,887,918**	2,860,248
DEFERRED REVENUE *(Note 16)*	**803,697**	859,263
LEASE LIABILITIES *(Note 18)*	**18,131,816**	18,407,306
BORROWINGS *(Note 19)*	**3,491,193**	3,791,193
CONVERTIBLE DEBENTURES - HOST LIABILITY *(Note 20)*	**-**	8,271,535
CONVERTIBLE DEBENTURES - EMBEDDED DERIVATIVE LIABILITY *(Note 20)*	**-**	226,000
	80,187,890	80,514,555
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(Note 21)*	**77,503,695**	76,399,543
WARRANTS	**144,838**	144,835
CONTRIBUTED SURPLUS	**7,834,508**	7,534,873
ACCUMULATED DEFICIT	**(76,313,365)**	(73,844,418)
ACCUMULATED OTHER COMPREHENSIVE LOSS	**(19,274,154)**	(19,274,154)
NON-CONTROLLING INTEREST	**146,573**	2,612,874
TOTAL SHAREHOLDERS' EQUITY	**(9,957,905)**	(6,426,447)
	$ 70,229,985	$ 74,088,108

COMMITMENTS *(Note 28)*

Approved on behalf of the Board:

"Nitin Kaushal"
Signed: Director

"John William Arbuthnot IV"
Signed: Director

See accompanying notes to consolidated interim financial statements

DELTA 9 CANNABIS INC.

STATEMENT 2

CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)
(CANADIAN DOLLARS)
FOR THE THREE MONTH PERIOD ENDED MARCH 31

	2024	2023
REVENUE *(Note 23)*	**$ 16,489,915**	$ 16,902,378
COST OF SALES	**(11,835,302)**	(12,689,181)
GROSS PROFIT BEFORE UNREALIZED GAIN FROM CHANGES IN BIOLOGICAL ASSETS	**4,654,613**	4,213,197
Unrealized gain on changes in fair value of biological assets	**1,920,085**	2,505,059
Fair value changes in biological assets included in inventory sold	**(2,116,503)**	(369,875)
GROSS PROFIT	**4,458,195**	6,348,381
EXPENSES		
General and administrative *(Note 24)*	**3,250,776**	3,390,234
Sales and marketing *(Note 24)*	**3,853,500**	4,003,020
Share based compensation *(Note 21)*	**312,631**	167,603
	7,416,907	7,560,857
LOSS FROM OPERATIONS	**(2,958,712)**	(1,212,476)
OTHER INCOME (EXPENSES)		
Finance income (expense) - net *(Note 25)*	**(1,637,324)**	(1,666,388)
Other income *(Note 26)*	**80,788**	91,892
Gain (loss) on fair value change in derivative liability	**(420,000)**	(356,000)
	(1,976,536)	(1,930,496)
NET LOSS	**(4,935,248)**	(3,142,972)
Net income (loss) attributable to:		
Delta 9 Cannabis Inc.	**(5,069,985)**	(2,987,235)
Non-controlling interest *(Note 22)*	**134,737**	(155,737)
	(4,935,248)	(3,142,972)
Total comprehensive income (loss) attributable to:		
Delta 9 Cannabis Inc.	**(5,069,985)**	(2,987,235)
Non-controlling interest *(Note 22)*	**134,737**	(155,737)
	(4,935,248)	(3,142,972)
Earnings (loss) per share - basic *(Note 27)*	**$(0.02)**	$(0.02)
Earnings (loss) per share - diluted *(Note 27)*	**$(0.02)**	$(0.02)

See accompanying notes to consolidated interim financial statements

DELTA 9 CANNABIS INC.

STATEMENT 3

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)
(CANADIAN DOLLARS)

FOR THE THREE MONTH PERIOD ENDED MARCH 31

	Number of shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	**Total Equity**
BALANCE, December 31, 2022	150,257,006	$ 72,581,938	$ 325,814	$ 7,500,886	$(54,569,663)	$(19,274,154)	$(26,250)	**$ 6,538,571**
Net income (loss)	-	-	-	-	(2,987,235)	-	(155,737)	**(3,142,972)**
Share issue related to private place meant and financing	5,344,588	365,461	-	-	-	-	-	**365,461**
Shares issued in business acquisition transactions	1,993,865	319,018	-	-	-	-	-	**319,018**
Share based compensation .	-	-	-	169,563	-	-	-	**169,563**
Transfer on exercise of restricted stock units	89,100	14,198	-	(14,198)	-	-	-	**-**
BALANCE, March 31, 2023	157,684,559	$ 73,280,615	$ 325,814	$ 7,656,251	$(57,556,898)	$(19,274,154)	$(181,987)	**$ 4,249,641**
BALANCE, December 31, 2023	213,166,895	$ 76,399,542	$ 144,838	$ 7,534,871	$(72,085,002)	$(19,274,154)	$ 853,458	**$(6,426,447)**
Net income (loss)	-	-	-	-	(5,069,985)	-	134,737	**(4,935,248)**
Reallocation of Head Office costs	-	-	-	-	841,622		(841,622)	**-**
Shares issued related to private placement and financing *(Note 21)*	43,685,000	1,091,159	-	-	-	-	-	**1,091,159**
Share based compensation *(Note 21)*	-	-	-	312,631	-	-	-	**312,631**
Transfer on exercise of restricted stock units *(Note 21)*	519,750	12,994	-	(12,994)	-	-	-	**-**
BALANCE, March 31, 2024	257,371,645	$ 77,503,695	$ 144,838	$ 7,834,508	$(76,313,365)	$(19,274,154)	$ 146,573	**$(9,957,905)**

See accompanying notes to consolidated interim financial statements

DELTA 9 CANNABIS INC.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(UNAUDITED)
(CANADIAN DOLLARS)
FOR THE THREE MONTH PERIOD ENDED MARCH 31

	2024	2023
CASH FLOW FROM		
OPERATING ACTIVITIES		
Net loss for the period	**$(4,935,248)**	$(3,142,972)
Items not affecting cash:		
Amortization of property, plant and equipment	**2,082,577**	2,234,697
Unrealized changes in fair value of biological assets	**196,418**	(2,135,184)
Gain on fair valuation of change in derivative liability	**420,000**	356,000
Interest accrued on lease liabilities	**387,640**	359,606
Interest accrued on loan from related party	**27,670**	24,971
Interest accrued on convertible debentures	**552,116**	482,721
Interest accrued on borrowings	**35,752**	44,109
Share based compensation *(Note 21)*	**312,631**	169,563
Non-cash revenue	**(80,262)**	(91,892)
Other		90,000
	(1,000,706)	(1,608,381)
Trade and other receivables	**(160,463)**	215,031
Inventories	**471,112**	869,372
Prepayments and other current assets	**616,793**	(401,175)
Accounts payable and accrued liabilities	**(42,448)**	515,128
Customer deposits	**-**	127,628
Notes receivable	**(100)**	92,459
Deferred portion of manufacturing rebate	**30,240**	100,408
Changes in non-cash working capital	**915,134**	1,518,851
	(85,572)	(89,530)
INVESTING ACTIVITY		
Acquisition of property, plant and equipment	**(10,902)**	(546,166)
	(10,902)	(546,166)
FINANCING ACTIVITIES		
Proceeds from share issuances - net	**1,091,159**	275,461
Proceeds from borrowings - net *(Note 19)*	**25,945**	291,686
Repayment of lease liabilities *(Note 18)*	**(885,153)**	(869,326)
Repayment of borrowings	**(776,376)**	(589,988)
Interest payments on convertible debentures	**(250,000)**	(250,000)
Due to (from) related parties	**2,798**	(2,715)
	(791,627)	(1,144,882)
NET DECREASE IN CASH	**(888,101)**	(1,780,578)
CASH*, beginning of period*	**2,153,346**	3,518,994
CASH*, end of period*	**$ 1,265,245**	$ 1,738,416

See accompanying notes to consolidated interim financial statements

1. NATURE OF BUSINESS

Delta 9 Cannabis Inc. (the "Company") is a licensed cannabis producer regulated by Health Canada under The Cannabis Act. The Company is a publicly traded company on the Toronto Stock Exchange ("TSX") under the symbol DN. The Cannabis license is in the name of Delta 9 Bio-Tech Inc., a wholly owned subsidiary of the Company. On December 4, 2019, Health Canada amended the Cannabis license to allow the Company to sell cannabis oils, extracts and derivative products in addition to the previously granted license for standard cultivation and license for sale for medical purposes with subsequent amendments expiring on August 22, 2027.

The address of the registered office is Suite 2600, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

On May 15, 2024, the Board of Directors authorized the Consolidated Interim Financial Statements for issue.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standard Board ("IASB").

b) Basis of measurement

These consolidated interim financial statements have been prepared on a historical cost basis except for biological assets, notes receivable, long term investments, intangibles, borrowings, convertible debentures, loans from related parties, warrants and options which are measured at fair value, as explained in the accounting policies below.

Historical cost is the fair value of the consideration given in exchange for goods and services based on the fair value at the time of the transaction of the consideration given in exchange for assets.

c) Functional and presentation currency

These consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

d) Basis of consolidation

These consolidated interim financial statements consolidate the accounts of the Company and its subsidiaries. Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company has power over an entity where it has existing rights that give the current ability to direct the activities that most significantly affect the entity's returns (relevant activities). Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements. The Company consolidates all subsidiaries from the date it obtains control and ceases consolidation when an entity is no longer controlled by it. All transactions and balances from subsidiaries have been eliminated upon consolidation.

These consolidated interim financial statements include the Company and its wholly owned subsidiaries, Delta 9 Bio-Tech Inc., Delta 9 Cannabis Store Inc. and Delta 9 Logistics Inc and the Company's interest in Delta 9 Lifestyle Cannabis Clinic Inc.

2. BASIS OF PRESENTATION *(continued)*

In addition to Delta 9 Bio-Tech Inc. (and its subsidiary, Delta 9 Lifestyle Cannabis Clinic Inc.), the Company has four other subsidiaries, 10007705 Manitoba Ltd. which was incorporated under The Corporations Act (Manitoba) on December 14, 2017 and Delta 9 Cannabis Store Inc. which was incorporated under the Canada Business Corporations Act on May 6, 2019. Delta 9 Lifestyle Cannabis Clinic Inc. was awarded its first four Manitoba retail location licenses. The Company now has nineteen retail locations in Manitoba owned by Delta 9 Lifestyle Cannabis Clinic Inc. and twenty-two retail locations in Saskatchewan and Alberta owned by Delta 9 Cannabis Store Inc. In 2020, the Company incorporated a new subsidiary Blue Horseshoe Manufacturing Inc. The Company holds 53% of the issued and outstanding shares, with the remaining shares held by arm's length third parties. On October 5, 2021, Delta 9 Logistics Inc. a wholly owned subsidiary was incorporated by the Company.

No financial transactions were incurred by 10007705 Manitoba Ltd. as of March 31, 2024. There were no material financial transactions incurred by Blue Horseshoe Manufacturing Inc. as of March 31, 2024.

e) Going concern

These consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they become due. Accordingly, the consolidated financial statements do not give affect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements. Such adjustments could be material.

At March 31, 2024, the Company had negative working capital of $38,655,114 compared to $27,849,665 at December 31, 2023. The Company incurred a net loss for the period ended March 31, 2024 of $4,935,248 and used cash flows from operating activities of $(85,572).

The Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future. However, without raising additional debt financing or equity in the current fiscal year there is material uncertainty over the Company's ability to continue as a going concern.

As at March 31, 2024 the Company was not compliant with its debt service coverage ratio covenant and its working capital covenant. Continued non-compliance with the financial covenants in the credit facility could result in the debt becoming due and payable on demand. Should the Company anticipate continued non-compliance, management will proactively approach its lender to amend the credit facilities to ensure their continued availability. There is no certainty the Company will be successful in negotiating such amendments.

3. MATERIAL ACCOUNTING POLICIES

REVENUE RECOGNITION

The Company's policy for the timing and amount of revenue to be recognized is based on the following five-step process described in IRS 15:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognizing revenue when or as performance obligation(s) are satisfied

Revenue from the sale of cannabis, related merchandise and devices and grow pods is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the amount of the revenue can be reliably measured and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the product leaves the Company’s premises. Revenue is recognized at the fair value of the consideration received or receivable. Interest and sundry income is recognized at the time the amount is earned, determinable and collectibility is reasonably assured.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks and term deposits having maturity of twelve months or less at acquisition, which are held for the purpose of meeting short-term cash commitments.

TRADE AND OTHER RECEIVABLES

Trade receivables are stated at the amounts billed to customers under normal trade, and are recognized initially at fair value and subsequently measured at amortized cost less an allowance for impairment.

Trade and other receivables are classified as current assets if amounts are due within one year or less. If not, they are presented as non-current assets.

NOTES RECEIVABLE

Notes receivable are recognized initially at fair value and subsequently carried at amortized cost.

Notes receivable are classified as current assets if amounts are due within one year or less. If not, they are presented as non-current assets.

INVENTORIES

Inventories of raw materials, merchandise and devices, grow pods, and finished goods are valued at the lower of cost and net realizable value. Harvested cannabis plants are transferred from biological assets into work in progress inventory at their fair value at harvest less costs to sell which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. 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 to sell. Packaging, supplies and seeds are initially valued at cost.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis clones, mother plants and flowering plants. All the biological assets are presented as current assets on the statement of financial position. The Company measures biological assets at fair value less cost to sell up to the point of harvest which becomes the basis for the cost of work in progress and in turn finished goods inventories after harvest. Average selling prices and expected yield from a flowering cannabis plant has been applied on a strain by strain basis. Gains or losses arising from changes in fair value less cost to sell are included in the results of operations of the related period.

PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets include short-term prepaid expenses and prepayments related to materials and other deposits required in the normal course of business, which are less than one year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis using the following rates:

Building	5%
Leasehold improvements	20%
Containers	10%
Production equipment	20%
Cooling infrastructure	10%
Security equipment	20%
Computer equipment	55%
Computer software	33%
Office furniture and equipment	20%
Vehicles	30%

In the year of acquisition, amortization is taken at one-half of the straight line rate.

IMPAIRMENT OF LONG-LIVED ASSETS

Long lived assets, including property, plant and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the recoverable amount. For the purposes of impairment-testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of cash flows of other assets or groups of the assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal ("FVLCD"), and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

BUSINESS ACQUISITIONS

The Company applies the acquisition method in accounting for business combinations. The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquire, and the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquire, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration.

Transaction costs that the Company incurs in connection with a business combination, such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed in the period as incurred.

TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include excise duty, government remittances payable and corporate credit cards. Trade and other payables are classified as current liabilities if payments are due within one year or less. If not, they are presented as non-current liabilities.

DEFERRED REVENUE

Deferred revenue includes amounts related to:

- Consulting and training services associated with the sale of the Company's products.
- Amortization of manufacturing rebate from the government over the useful life of the related assets.
- Amortization of Efficiency Manitoba retrofit grant.

If the revenue recognition associated with these services is expected to take place within twelve months from the balance sheet date, the Company presents the deferred revenue as current; otherwise the deferred revenue is presented as non-current.

BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in earnings over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. If so, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for services and amortized over the period of the facility to which it relates.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

CONVERTIBLE INSTRUMENTS

Convertible instruments are compound financial instruments which are accounted for separately by their components, a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible instruments in the future is initially measured at its fair value of a similar liability that does not have an equity conversion option, and subsequently measured at amortized cost using the effective interest method. The residual amount is accounted for as an equity instrument at issuance. The equity component is not remeasured subsequent to initial recognition, except on conversion or expiry. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

For compound instruments with non-equity derivatives, the fair value of the embedded derivative is determined based on the contractual terms, and the initial carrying amount of the host instrument is the residual amount after separating the embedded derivative.

DERIVATIVES

The Company measures derivative financial liabilities at fair value through profit or loss at initial recognition and in subsequent reporting periods. Fair value gains or losses are recognized in other gains (losses) on the statement of net loss and comprehensive loss. Transaction costs, which are directly attributable to the offering, are expensed as incurred.

INTANGIBLE ASSETS

Indefinite intangible assets are deemed to have no foreseeable limit over which the asset is expected to generate net cash inflows. Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

LEASES

The Company recognizes lease liabilities under the principles of IFRS 16 Leases.

The Company leases various properties for its offices, manufacturing facility and retail stores to sell recreational cannabis. Rental contracts are typically made for fixed periods, but might have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable. The lease payments are discounted using the Company’s incremental borrowing rate.

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, adjusted for any lease payments made at or before the commencement date less any incentives received.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset’s useful life and the lease term on a straight-line basis. In case of a future purchase option, the right-of-use asset is amortized over the asset's useful life.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

In applying IFRS 16, the Company uses the following practical expedients permitted by the standard:

• The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

• To account for each lease component of a contract and any associated non-lease components as a single lease component, where non-lease components are not significant when compared with the lease components of a contract.

• The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has elected not to recognize right-of-use assets and liabilities for leases where the total lease term is less than or equal to twelve months, or for leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense. Presently, there are no short-term or low-value leases in effect.

Income from operating leases is recognized on a straight-line basis over the term of the lease.

SHARE-BASED COMPENSATION

The Company has a stock option plan for directors, officers, employees, and consultants. Grants are subject to a service condition by the option holder.

All option grants are initially measured at fair value at the grant date using the Black-Scholes option pricing model. The fair value of the options is amortized over the vesting period and is included in operating expenses with a corresponding increase in contributed surplus, net of an estimated forfeiture credit. Management reassesses the estimated forfeiture credit at each reporting period. Where the terms and conditions of the initial option grant are modified before they vest, the options are remeasured at fair value at the modification date and any increase in fair value is charged to earnings.

When options are exercised, common shares are issued from treasury and the proceeds are credited to share capital in the Consolidated Statement of Financial Position.

The Company also has a performance and restricted share units plan for directors, officers, and employees. All performance and restricted share units are initially measured at fair value at the grant date. The fair value of the performance and restricted share units is amortized over the vesting period and is included in operating expenses with a corresponding increase in contributed surplus, net of an estimated forfeiture credit. Management reassesses the estimated forfeiture credit at each reporting period. When performance and restricted share units are exercised, common shares are issued from treasury and the corresponding fair values are credited to share capital in the Consolidated Statement of Financial Position.

WARRANTS

The Company uses the residual value approach in respect of unit offerings whereby the amount assigned to the warrant is the excess of the unit price over the trading price of the Company's shares at the date of issuance, if any, to a maximum fair value of the warrant determined by using the Black-Scholes option pricing model.

INCOME TAXES

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which temporary differences are expected to be reversed or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and liabilities and are initially measured at fair value, and are recognized in the consolidated statements of financial position when the Company has become party to the contractual provisions of the instruments. The accounting policies for financial instruments are described below and the composition of the Company's financial instruments and related risks are disclosed in Notes 30 and 31 .

1) Financial Assets

The Company classifies each financial asset into one of following categories depending on the purpose for which the asset was acquired. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

a) At Fair Value Through Profit or Loss ("FVTPL").

Assets in this category are derivatives, equity instruments which the Company has not irrevocably elected, at initial recognition, to classify at FVTOCI, or other assets classified as held-for-trading (i.e. acquired or incurred principally for the purpose of selling or repurchasing in the near term) or designated as FVTPL upon initial recognition subject to meeting certain conditions. After initial recognition, such assets are measured at fair value with changes therein being recognized in profit or loss. The Company has cash and cash equivalents which are classified as FVTPL.

b) At Fair Value Through Other Comprehensive Income ("FVTOCI")

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income. The Company has investments in equity instruments of Pure Blue Cannabis Inc. (formerly Vitreous Cannabis Inc.) and Oceanic Releaf Inc. which are classified as FVTOCI.

c) Amortized Cost

Assets in this category are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less impairment. The Company has accounts receivable, notes receivable, and amounts due from related parties which are classified as financial assets at amortized cost.

2) Financial Liabilities

The Company classifies each financial liability into one of following categories depending on the purpose for which the liability was incurred.

a) At FVTPL

Financial liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL, upon initial recognition subject to meeting certain conditions. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has an embedded derivative liability classified as FVTPL.

(b)Other Financial Liabilities

Liabilities in this category are non-derivative financial liabilities that are not classified as FVTPL. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has accounts payable and accrued liabilities, customer deposits, lease liabilities, loan from related parties, borrowings, convertible debentures and due to related parties which are classified as other financial liabilities.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

3) Transaction Costs

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate i.e. amortized through profit or loss over the terms of the related instrument.

4) Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance for the financial assets at an amount equal to twelve month expected credit losses. The Company recognizes in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

5) Fair Value Measurement

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. Management uses a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is broken down into the following three levels:

Level 1: Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.

Level 3: Fair value based on inputs that are unobservable and reflecting significant management judgments about assumptions that market participants might use.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

GOVERNMENT GRANTS

The Company recognizes government grants when there is reasonable assurance that the grant will be received and that the conditions of the grant will be met. The Company recognizes government grants in the Consolidated Statements of Net Income (Loss) in the same period as the expense for which the grant is intended to compensate. The Company has elected to record the grants, where appropriate, as a reduction of the expenses for which those grants are intended to cover, including within General and Administrative expenses and Sales and Marketing expenses. Grants that are intended as a revenue guarantee are recorded within revenue in the period in which they are earned.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

1) Biological Assets

Determination of the fair value of biological assets requires the Company to make a number of estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs,

3. MATERIAL ACCOUNTING POLICIES *(continued)*

selling costs, sales prices, wastage and expected yields of the cannabis plant. In determining final inventory values, the Company estimates spoiled or expired inventory in determining net realizable value.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield of flowering plants will be reflected in the gain or loss on biological assets in future periods.

2) Estimated Useful Lives of Property, Plant and Equipment

Amortization of property, plant and equipment requires estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

3) Valuation of Inventory

In calculating the net realizable value ("NRV") of inventory, management determines the selling prices based on current observable market sales prices, selling costs, based on the most reliable evidence available at the time, to record inventory at the lower of cost or net realizable value.

4) Convertible Debentures

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant estimates including discount rates and future cash flows.

5) Share Based Compensation

The fair value of share-based compensation expenses are estimated using the Black-Scholes option pricing model and relies on a number of estimated 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 rate of forfeiture of options granted. Changes in the underlying estimated inputs may result in materially different results.

6) Warrants

In calculating the fair value of warrants, management relies on estimated inputs, such as the volatility of the Company's stock price and the risk-free rate of return.

7) Business Combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, including any acquisition-related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates as appropriate, with the corresponding gain or loss being recognized in profit or loss. The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquire are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquire's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

8) Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must determine cash generating units ("CGU"). Assets are allocated to CGUs based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of the assets included within the CGU. The determination of the Company's CGUs is the retail store or stores that are included in the group for which goodwill has been established.

9) Impairment of Non-Financial Assets

Property, plant and equipment and definite-life intangible assets, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its FVLCD or its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss for the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded if no impairment loss have been recognized previously.

Goodwill and indefinite-life intangible assets are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill or intangible assets has likely been impaired. Goodwill and indefinite-life intangible asset impairment testing requires management to make estimates in the impairment testing model. Impairment is influenced by judgment in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses. The recoverable amount is defined as the higher of: (i) value in use; or (ii) FVLCD. The Company relies on a number of factors including historical results, business plans, forecasts and market data in determining the recoverable amount. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill and indefinite life intangible assets.

Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lessor of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized, with the exception of goodwill and indefinite lived intangible assets.

4. ACCOUNTING PRONOUNCEMENTS

Future changes in accounting policies

IAS 1 - Presentation of financial statements:

IAS 1 presentation of Financial Statements was revised to incorporate amendments issued by IASB requiring entities to disclose in specific circumstances, information in the note that enable financial statement users to understand the risk that non current liabilities with covenants could become repayable within 12 months after the reporting date.

The amendments specify that covenants to be complied after the reporting date do not affect the classification of debts as current or non current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

IAS 7 Statement of Cashflows

These amendments introduce new disclosure requirements to enhance the transparency of supplier finance

4. ACCOUNTING PRONOUNCEMENTS *(continued)*

arrangements and to provide users of financial statements with information to enable them to:

- Assess how supplier finance arrangement affect the entity's liability and cashflows; and

- Understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Required disclosures in relation to supplier finance arrangements include terms and conditions, carrying amounts and related financial statement line items, ranges of payment due dates, information on non cash changes and liquidity risk.

The effective date for these amendments is January 1,2024.

The company has adopted the amendments.

5. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023
Cash	**$ 1,215,245**	$ 2,103,346
Assignment of deposit instrument with Canadian Western Bank	**50,000**	50,000
	$ 1,265,245	$ 2,153,346

6. TRADE AND OTHER RECEIVABLES

	March 31, 2024	December 31, 2023
Trade receivables	**$ 2,079,802**	$ 1,919,339

6. TRADE AND OTHER RECEIVABLES *(continued)*

The following table provides details on the age of trade receivables:

	March 31, 2024	December 31, 2023
0 - 30 days	**$ 1,030,776**	$ 963,691
31 - 60 days	**259,890**	172,458
61 - 90 days	**113,628**	120,982
Greater than 90 days	**675,508**	662,208
	$ 2,079,802	$ 1,919,339

7. INVENTORIES

	March 31, 2024	December 31, 2023
Raw materials	**$ 99,502**	$ 100,796
Packaging materials	**821,345**	772,272
Finished goods	**7,067,516**	7,655,879
Merchandise and devices	**359,462**	426,141
Work in progress	**1,912,508**	1,982,315
Grow pods and equipment for resale	**67,815**	63,000
	$ 10,328,148	$ 11,000,403

The amount of inventories recognized as an expense during the period ended March 31, 2024 was $10,776,801 ($11,140,398 - period ended March 31, 2023)

8. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants.

	March 31, 2024	December 31, 2023
Biological assets, beginning	**$ 1,086,182**	$ 1,442,202
Net increase in fair value less cost to sell due to biological transformation	**1,920,085**	8,230,742
Transferred to inventory upon harvest	**(1,915,363)**	(8,586,762)
Biological assets, ending	**$ 1,090,904**	$ 1,086,182

Biological assets are valued in accordance with IAS 41 and are presented at their fair values less costs to finish and sell. The Company's biological assets are primarily cannabis clones, mother plants and flowering plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

The significant assumptions used in determining the fair value of biological assets include:

- Selling price on a strain-wise basis less cost to sell ($1.35 to $4.40 per gram)
- Estimated yield on a strain-wise basis per cannabis flowering plant (34.2 to 62.06 grams)
- Estimated yield of large flower versus small flower per cannabis flowering plant in flowering and harvest stages
- Fair value of small flower based on end product
- Selling price pro-rated based on the stage of growth of the biological assets at the reporting period, less wastage
- Selling costs are estimated based on post-harvest costs ($0.72 per gram)

8. BIOLOGICAL ASSETS *(continued)*

The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets:

Significant inputs & assumptions	Inputs March 31, 2024	Inputs December 31, 2023	Sensitivity	Impact on fair value March 31, 2024	Impact on fair value December 31, 2023
Average selling price per gram	$ 1.88	$ 1.71	Increase or decrease of $1.00 per gram	$ 596,674	$ 426,304
Weighted average yield (grams per plant)	46.36	48.48	Increase or decrease of 5 grams per plant	$ 120,982	$ 75,183
Standard cost per gram to complete production	$ 0.72	$ 0.64	Increase or decrease of $0.25 per gram	$ 149,169	$ 106,576

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

	March 31, 2024	December 31, 2023
Advertising and promotion	**$ 52,928**	$ 58,328
Deposit for purchase of products	**799,202**	1,431,123
Deposit for purchase of equipment	**55,575**	55,575
Excise tax security - Canada Revenue Agency	**308,800**	308,800
Other	**58,373**	37,845
	$ 1,274,878	$ 1,891,671

10. NOTES RECEIVABLE

	March 31, 2024	December 31, 2023
Notes receivable	**$ 223,072**	$ 222,972
Less: current portion	**(68,711)**	(85,142)
	$ 154,361	$ 137,830

Note receivable is interest bearing at 6% and repayable in monthly blended principal and interest payments. The note receivable is due from one counterparty for purchase of product by Delta 9 and is secured by equipment sold.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment relate to the infrastructure for cannabis growing production and wholesale and retail operations. A cost continuity of the accounts for the period ended March 31, 2024 is as follows:

	Balance at January 1, 2024	Additions	Disposals/ Transfers	Balance at March 31, 2024
Land	$ 647,650	$ -	$ -	$ 647,650
Building	8,514,082	-	-	8,514,082
Leasehold improvements	9,388,785	-	-	9,388,785
Containers	8,658,325	-	-	8,658,325
Production equipment	10,236,007	10,902	-	10,246,909
Cooling infrastructure	4,391,697	-	-	4,391,697
Security equipment	1,793,188	-	-	1,793,188
Computer equipment	463,369	-	-	463,369
Computer software	80,172	-	-	80,172
Office furniture and equipment	1,374,884	-	-	1,374,884
Vehicles	119,606	-	-	119,606
Construction in progress	1,047,678	-	-	1,047,678
	$ 46,715,443	$ 10,902	$ -	$ 46,726,345

The accumulated amortization continuity for property, plant and equipment for the period ended March 31, 2024 is as follows:

	Balance at January 1, 2024	Additions	Disposals/ Transfers	Balance at March 31, 2024
Building	$ 2,075,054	$ 105,371	$ -	$ 2,180,425
Leasehold improvements	5,356,218	461,789	-	5,818,007
Containers	4,455,770	228,060	-	4,683,830
Production equipment	8,744,747	357,023	-	9,101,770
Cooling infrastructure	1,526,074	109,706	-	1,635,780
Security equipment	1,279,740	67,220	-	1,346,960
Computer equipment	439,323	6,967	-	446,290
Computer software	80,172	-	-	80,172
Office furniture and equipment	779,030	61,934	-	840,964
Vehicles	62,249	8,323	-	70,572
	24,798,377	$ 1,406,393	$ -	26,204,770
Net book value	$ 21,917,066			$ 20,521,575

12 GOODWILL

	March 31, 2024	December 31, 2023
Balance, beginning of period	**$ 14,198,669**	$ 14,198,669
Balance, end of period	**$ 14,198,669**	$ 14,198,669

As at March 31, 2024 the Company performed its interim goodwill impairment test by comparing the carrying amount of the assets within the cash generating units (CGU) to their recoverable amount. The recoverable amount is defined as higher of: (i) value in use; or (ii) FVLCD.

Significant assumptions inherent in the valuation methodologies for goodwill are employed and include but not limited to, prospective financial information, growth rates, terminal value, discount rate and comparable multiples from publicly traded companies in the cannabis industry.

The recoverable amount of the CGUs was determined based on the fair value less cost of disposal. The Company relied on similar sized peer competitors analysis which assesses relative capital market valuations for similar publicly traded firms when considering the market capitalization, enterprise value, revenue and EBITDA multiple of these firms. The Company has decided to use the revenue multiple category as the core valuation metric as it considers this as the fairest market metric versus the peer group. The fair value less cost of disposal of the CGUs was determined to be greater than the carrying value of the respective CGUs.

As a result of the analysis, in the period ended March 31 2024, no goodwill impairment was determined.

13. INVESTMENTS

	March 31, 2024	December 31, 2023
Pure Blue Cannabis Inc. (formerly Vitreous Cannabis Inc.)	**$ 33,333**	$ 33,333
Oceanic Releaf Inc.	**500,000**	500,000
	$ 533,333	$ 533,333

Pure Blue Cannabis Inc. (formerly Vitreous Cannabis Inc.)

The investment consists of an initial strategic investment by subscribing for 333,333 Class A common shares of Pure Blue Cannabis Inc. ("Pure Blue") for gross proceeds of $33,333. Pure Blue will develop a cannabis cultivation facility in Ontario once they obtain a license from Health Canada under the Cannabis Act. Pure Blue is also pursuing options to raise further equity.

The investment was valued based on the fair value of the consideration paid.

Oceanic Releaf Inc.

The investment consists of 5,000 Class A common shares in the capital of Oceanic Releaf Inc. ("Oceanic") in exchange for a promissory note, which shall be assignable to Oceanic and the amount payable by the Company hereunder shall be set off by delivery of certain consulting and training services. The corresponding revenue was recorded on satisfaction of respective performance obligation.

The investment was valued based on the fair value of the consideration paid.

The Company had elected to measure investment in equity instruments Pure Blue Cannabis Inc. and Oceanic Releaf Inc. at FVTOCI on initial recognition as the investments are not held-for-trading, instead long-term and strategic in nature, and net changes in fair value are more suited to be presented in other comprehensive income.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2024	December 31, 2023
Trade payables	**$ 2,933,948**	$ 2,693,956
Accrued liabilities	**1,724,002**	2,046,466
Excise tax payable	**7,871,632**	7,746,848
Government remittances payable	**1,149,144**	1,241,736
Loyalty liabilities	**217,824**	209,992
	$ 13,896,550	$ 13,938,998

Effective October 17, 2018, Canada Revenue Agency ("CRA") began levying an excise tax on the sale of medical and consumer cannabis products. The Company becomes liable for these excise duties when cannabis products are delivered to the customer.

The excise tax payable is the higher of (i) a flat-rate duty which is imposed when a cannabis product is packaged, and (ii) an advalorem duty that is imposed when a cannabis product is delivered to the customer. Where the excise tax has been billed to customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenue as presented on the Consolidated Statements of Net Income and Comprehensive Income, represents revenue from the sale of goods less applicable excise taxes. Given that the excise tax payable/paid to CRA cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that affects gross margin to the extent that it is not recovered from its customers.
Canada Revenue Agency has placed a lien on the property owned by the company in accordance with the Excise Tax Act (Canada) for excise duty owed which is actively being disputed by management

Effective January 1, 2019, the Manitoba government began collecting a social responsibility levy at 6% on all retail cannabis sales. On July 1st 2023, the Manitoba government announced that with the passing of Bill 10, The Liquor, Gaming and Cannabis Control Act repealed the requirement for a cannabis store operator to pay the government a social responsibility fee. Additional to this, the government also forgave social responsibility fees amounts collected and payable related to the 2022 and 2023 years.

15. CUSTOMER DEPOSITS

	March 31, 2024	December 31, 2023
Customer deposits	**$ 521,101**	$ 521,101

These amounts represent deposits by customers in conjunction with business to business purchases.

16. DEFERRED REVENUE

	March 31, 2024	December 31, 2023
Deferred rebates -beginning balance	**$ 1,176,280**	$ 1,193,885
Additional rebates	**30,240**	100,408
Deferred provincial grant	**-**	195,346
Transferred to revenue	**(80,262)**	(313,359)
	1,126,258	1,176,280
Current portion	**322,561**	317,017
	$ 803,697	$ 859,263

17 DUE FROM/TO RELATED PARTIES, DIRECTORS AND SHAREHOLDERS

Related entities have advanced funds to the Company through various loans, some of which were secured by a promissory note and other amounts which were unsecured with no specified terms of repayment. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	March 31, 2024	December 31, 2023
Advance to (from) directors for expenses	**$ 3,213**	$ 3,205
Due from related parties	**92,777**	89,531
Receivable from directors and officers	**14,474**	20,526
	$ 110,464	$ 113,262

	March 31, 2024	December 31, 2023
Due to shareholder	**$ 48,951**	$ 48,951

Due to shareholder

On April 1, 2017, a unanimous shareholders' agreement was signed by the shareholders of Delta 9 Lifestyle Cannabis Clinic Inc. It was agreed that the initial figuring of the leased premises by the Clinic shall be financed by shareholder loans amounting to $51,000 (received in July 2017) from Delta 9 Bio-Tech Inc. and $49,000 from 7217804 Manitoba Ltd. These loans are unsecured, non-interest bearing and with no specific date of repayment.

	March 31, 2024	December 31, 2023
Due to related party	**$ 2,887,918**	$ 2,860,248

Due to related party

Over the years 2018-2021, Delta 9 Lifestyle Cannabis Clinic Inc. received advances from its shareholders, 7217804 and Delta 9 Bio-Tech, in the principal amounts of $3,014,500 and $4,035,500 respectively (the "Shareholder Advances"). These Shareholder Advances were evidenced by promissory notes issued by Delta 9 Lifestyle to 7217804 and Delta 9 Bio-Tech. The promissory notes accrue and bear interest at a rate in accordance with the following:

- From January 1, 2019 to June 30, 2019, the principal sum, bore interest at a rate equal to 3% per annum, calculated and payable monthly;
- From July 1, 2019 until repayment in full, the principal sum and all interest thereon the promissory notes shall bear interest at a rate of 6% per annum, calculated and payable monthly.

17. DUE FROM/TO RELATED PARTIES, DIRECTORS AND SHAREHOLDERS *(continued)*

Pursuant to the terms of the promissory notes, at any time after June 30, 2019, but no later than 90 days prior to the maturity date of the promissory notes, 7217804 and/or Delta 9 Bio-Tech may convert all or any part of the then-principal sums under the promissory notes into Class A common shares of Delta 9 Lifestyle at the price of $60,000 per Class A common share of Delta 9 Lifestyle, subject to adjustments in accordance with the promissory notes.

The promissory notes were initially recorded at their fair value, discounted at a market interest rate of 10.50%. The estimated fair value of the equity component of the promissory notes were recorded as part of Delta 9 Lifestyle Cannabis Clinic Inc.'s equity.

As of September 30, 2021, Delta 9 Bio-Tech Inc. exercised its option and converted $4,035,500 principal amount of the promissory notes into Class A common shares of Delta 9 Lifestyle. As a result, Delta 9 Bio-Tech Inc.'s shareholding in Delta 9 Lifestyle Cannabis Clinic Inc. was increased from 51% to 68.78%.

During the year ended December 31, 2021, Delta 9 Bio-Tech and the minority shareholder in Delta 9 Lifestyle Cannabis Clinic Inc. also invested additional amounts of $535,500 and $514,500, respectively.

Key management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the Company. The key management personnel of the Company are the executive management team and the Board of Directors.

The remuneration and other payments to the Company's directors and other key management personnel for the period ended March 31, 2024 are as follows:

	Salaries	Share based compensation	**Total**
Key management	$ 275,974	$ 84,156	**$ 360,130**
Directors	37,501	77,738	**115,239**
	$ 313,475	$ 161,894	**$ 475,369**

18. LEASE LIABILITIES

	March 31, 2024	December 31, 2023
Current	**$ 1,967,837**	$ 1,961,646
Non-current	**18,131,816**	18,407,306
	$ 20,099,653	$ 20,368,952

The right-of-use assets at March 31, 2024 and the amortization charge for the period then ended are shown below by the underlying class of asset:

	Carrying Value March 31, 2024	Amortization Charge Period Ended March 31, 2024
Properties	**$ 18,603,895**	$ 680,565

During the period ended March 31, 2024, the Company did not enter into any new leases.

18. LEASE LIABILITIES *(continued)*

The lease liability for retail stores were remeasured on January 31 2024 and February 1 2024 due to exercising renewal options. Increamental borrowing rate of 8.23% and 8.89% was determined to be the risk free rate plus the borrowing rate. The corresponding amount of the resulted adjustment was recorded under the right of use assets.

The lease liability at March 31, 2024 was $20,099,653. The corresponding interest expense for the period ended March 31, 2024, amounted to $387,640. The portion of the lease payments recognized as a reduction of the lease liabilities was $489,033.72 and a total cash outflow from financing activities for the period ended March 31, 2024 amounted to $876,673. An amount of $38,887 was recorded in other operating expenses for variable lease payments.

19. BORROWINGS

	March 31, 2024	December 31, 2023
Overdraft - beginning balance		$ 3,984,207
Borrowings - beginning balance	**28,111,297**	25,823,053
Promissory notes - beginning balance	**4,991,193**	5,591,193
	33,102,490	35,398,453
Add: Proceeds from borrowings	**-**	291,686
Add: Proceeds from promissory notes	**-**	-
Add: Accretion	**35,749**	144,206
Add: Proceeds from overdraft	**25,945**	9,283
Less: Repayments of overdraft	**-**	-
Less: Repayments made	**776,376**	2,741,138
Less: Current portion of borrowings	**28,896,615**	29,311,297
	$ 3,491,193	$ 3,791,193

On March 30, 2022, Delta 9 Cannabis Inc. (the "Borrower") entered into a credit facility with connectFirst Credit Union Ltd. (the "Credit Union"). On the same date, Delta 9 Bio-Tech Inc. repaid all of the existing loans to Canadian Western Bank, with the exception of a business Visa facility of $50,000 for corporate credit cards.

The credit facility with the Credit Union consists of:

1) A commercial mortgage loan of $23,000,000 which was intended to assist in repayment of the CWB loans and convertible debentures. The loan is repayable in blended monthly payments of principal and interest at 4.55% over 144 months. The current fixed rate of 4.55% will be for a term of five years.

2) A commercial mortgage loan of $5,000,000 which was intended to assist in the acquisition of 17 retail stores in Alberta. The loan is repayable in blended monthly payments of principal and interest at 4.55% over 144 months. The current fixed rate of 4.55% will be for a term of five years.

As the fixed interest rate was negotiated at arm's length and the loan is secured by a first line on the Company's assets, the financing cost reflects market rate and therefore the estimated fair value of this loan fairly approximates its carrying value. However factoring in the transaction fees, the effective interest rate on the above loans is 5.29%. The carrying value of the loan is calculated based on this effective rate.

3) An overdraft facility of $4,000,000 to be used to finance day-to-day operations. Interest floats at a rate of 1.50% per annum above the Credit Union's prime lending rate. The loan is repayable on demand. As of March 31, 2024, $4,019,6127 had been drawn down on this segment of the credit facility.

The Company was in breach of its debt service coverage ratio covenant and its working capital covenant as at March 31, 2024. Accordingly the entire loan balance of $27,696,615 has been classified as current liabilities as at March 31, 2024.

19. BORROWINGS *(continued)*

The loans are secured by:

A first charge demand collateral mortgage of a freehold interest in the amount of $28,000,000 over the property 770 Pandora Ave, Winnipeg, MB, and 760 Pandora Ave, Winnipeg, MB.

- A General Security Agreement comprising a first charge security interest over all present and after-acquired personal property located at or on or related to the Property, registered at Personal Property Registry.

Unlimited Guarantee and Postponement of Claim granted by Delta 9 Cannabis Store Inc. and Delta 9 Lifestyle Cannabis Clinic Inc, supported by:

- A General Security Agreement comprising a first charge security interest over all present and after-acquired personal property located at or on or related to the Property, registered at Personal Property Registry.

A formal Assignment and Postponement of Shareholders' Loan/Affiliated Company Loans/Debentures in the amount of $2,459,856 acknowledged by the Borrower, registered at Personal Property Registry.

On April 25, 2022, the Company obtained an unsecured loan from a shareholder in the amount of $4,990,264 that is due on July 20, 2025. The loan bears interest at 6% per annum and is payable monthly.

On April 25, 2022, the Company obtained an unsecured loan from a shareholder in the amount of $600,929 that is due on July 20, 2025. The loan bears interest at 6% per annum and is payable monthly.

20. CONVERTIBLE DEBENTURES

	March 31, 2023	December 31, 2023
Balance - beginning of period	**$ 8,271,535**	$ 7,242,210
Interest payments made	**(250,000)**	(1,000,000)
Accretion	**552,116**	2,029,325
Balance - end of period	**$ 8,573,651**	$ 8,271,535

2022 Convertible Debentures

On March 30, 2022, the Company completed a private placement of a $10,000,000 principal amount 3 year 10% senior second-lien secured convertible debenture of the Company (the "Sundial Debenture") to SNDL Inc., formerly Sundial Growers Inc. ("Sundial") for a subscription price of $9,600,000, representing an original discount of 4.0% (the "Sundial Convertible Debenture Offering").

Until June 29, 2022, the Sundial Debenture was convertible by Sundial into Common Shares (the "Conversion Shares") at a conversion price equal to the lesser of: (i) $0.35 per Conversion Share; and (ii) a share price equal to a 20.0% premium to the issuance price of an offering of equity securities of the Company completed in the six months from the date of issuance, provided that such price is not less than the 5-day volume weighted average trading price of the Common Shares (the "5-Day VWAP") as of the date of the conversion of the Sundial Debenture (the "Floor Price"). The Company may, at its option, also convert 100% of the interest accrued and payable for the first quarter ending June 30, 2022 and 50% of the interest accrued and payable for the second quarter ending September 30, 2022 into Common Shares at a price equal to the 5-Day VWAP as to the date of issuance. During an event of default that is ongoing, Sundial may, at its option, convert 100% of the interest accrued and payable into Common Shares at a price equal to the 5-Day VWAP as to the date of the interest payment. The current conversion price per unit is $0.15 Conversion Share and is fixed for the remaining term of the agreement.

On June 29, 2022, in connection with the Sundial Convertible Debenture Offering, the Company received the approval of the shareholders of the Company for the ratification of the Sundial Convertible Debenture Offering and specifically the approval of: (i) the issuance to Sundial (or any person acting in combination or in concert with the Sundial) of more than 19,953,242 Shares pursuant to the Sundial Debenture, representing 25% of the issued and outstanding Common Shares, on a non-diluted basis as of the issuance of the Sundial Debenture on March 30, 2022, less the 6,666,667 Shares issued to Uncle Sam pursuant to the Uncle Sam Transaction; (ii) the issuance to Sundial (and any person acting in combination or in concert with Sundial) of that number of Common Shares that would result in Sundial (and any person acting in combination or in concert with Sundial) holding greater than 19.99% of the outstanding Common Shares, and accordingly becoming a control person of the Company, after giving effect to any conversion of the Sundial Debenture or any other issuance of Common Shares to Sundial pursuant to the terms of the Sundial Debenture, including the payment of interest thereon; (iii) the payment of interest on the Sundial Debenture in Common Shares at a price per Share equal to 85% of the 5-Day VWAP of the Common Shares on the terms set out in the Sundial Debenture; and (iv) removing the Floor Price for the issuance of Common Shares on any conversion of the Sundial Debenture.

20. CONVERTIBLE DEBENTURES *(continued)*

The gross proceeds of $9,600,000 was apportioned between the host loan and the embedded derivative liability by first determining the fair value of the derivative, which was $2,711,609 on March 30, 2022. Transaction costs of $254,445 associated with the host liability were capitalized to the liability whereas transaction costs of $94,665 associated with the embedded derivative liability were expensed in the current period. The fair value of the derivative liability was $646,000 at March 31, 2024.

The effective interest rate of the host liability was calculated at 26.38%. The carrying value of the host liability was $6,888,391 at March 30, 2022.

The Sundial Debentures contain a call option which allows the issuer to repay the principal plus interest at any time during the three-year term, at a redemption price equal to par plus premium. The redemption right was not separated but accounted for as a single embedded derivative along with conversion feature.

21. SHARE CAPITAL

Authorized:

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Issued share capital	**March 31, 2024**	December 31, 2023
257,371,645 (December 31, 2023 - 213,166,895) Common Shares	**$ 77,503,695**	$ 76,399,542

The increase of $1,104,153 in the value of common shares during the period ended March 31, 2024 is represented by the following:

Shares issued relating to private placement and financing - net	$ 1,091,159
Shares issued on exercise of restricted stock units	12,994
	$ 1,104,153

At-the-Market Equity Offering ("ATM Program")

On December 6, 2022, the Company announced that it had established an ATM equity program that allows the Company to issue up to $5,000,000 of Common Shares from treasury to the public from time to time, at the Company's discretion. Distributions of the Common Shares through the ATM Program will be made pursuant to the terms of an equity distribution agreement (the "Equity Distribution Agreement") dated December 6, 2022 between the Corporation and Haywood Securities Inc ("Haywood").

Pursuant to the Equity Distribution Agreement, the Common Shares may be offered and sold by Haywood: (a) in privately negotiated transactions with the consent of the Company and, if required, by the TSX; (b) as block transactions; (c) by Haywood, on the TSX or on any other "marketplace" (as such term is defined in National Instrument 21-101 – Marketplace Operation) in Canada; or (d) by any method permitted by law that constitutes an "at-the-market distribution" under National Instrument 44-102 – Shelf Distributions.

The offering under the ATM Program was made pursuant to the prospectus supplement of the Company dated December 6, 2022 to the amended and restated short form base shelf prospectus of the Company dated November 25, 2022, for all of the provinces of Canada, except Québec and the short form base shelf prospectus of the Company dated November 25, 2022, for Québec and the territories of Canada in respect of the ATM Program.

During the period ended March 31, 2024, the Company issued 43,685,000 common shares under the ATM program for net proceeds of $1,091,159.

21. SHARE CAPITAL *(continued)*

Warrants

On June 16, 2022, the Company completed a bought deal public offering of 8,800,027 units for aggregate gross proceeds of $1,936,006 at an offering price of $0.22 per unit. Each unit consists of one common share of the Company and one common share purchase warrant of the Company. Each warrant is exercisable to acquire one common share for a period of 36 months at an exercise price of $0.255. No warrants were exercised as of March 31, 2024.

In connection with the bought deal equity financing 616,002 brokers' warrants were issued. Each warrant entitles the holder to acquire one share at the issue price of $0.22 until June 16, 2025. No broker warrants were exercised as of March 31, 2024.

The following table provides a summary of warrants activity for the period ended March 31, 2024:

	Number of warrants	Weighted Average Exercise Price
Outstanding, beginning of period	9,416,029	$ 0.25
Issued	-	$ -
Exercised	-	$ -
Expired	-	$ -
Outstanding, end of period	9,416,029	$ 0.25

Stock Option plan

On May 2, 2017, the Board of Directors approved the 2017 Stock Option Plan ("2017 Plan") to retain and attract directors, officers, and key employees. This replaces and terminates the former option plan, which had no outstanding options. On June 25, 2020, the shareholders of the Company approved, the amended and restated stock option plan (the "2020 Plan"). The 2020 Plan amended the 2017 Plan to comply with the policies of the TSX.

21. SHARE CAPITAL *(continued)*

The following table provides a summary of stock option activity for the period ended March 31, 2024:

	Number of options	Weighted Average Exercise Price
Outstanding, beginning of period	2,250,410	$ 0.56
Granted	-	$ -
Exercised	-	$ -
Forfeited	21,132	$ 0.57
Cancelled	-	$ -
Outstanding, end of period	2,229,278	$ 0.56

The following table provides a summary of currently active stock options at March 31, 2024:

Date of approval	November 13, 2019	November 27, 2020
Expiry date	November 13, 2024	November 27, 2025
Number of stock options	3,000,000	1,228,482
Exercisable price	$ 0.55	$ 0.60
Vesting dates	50% each: May 13, 2020 November 13, 2020	50% each: May 30, 2021 November 30, 2021
Options forfeited	1,309,183	690,022
Options outstanding	1,690,817	538,460

Restricted Share Units

On June 25, 2020, the shareholders approved the performance and restricted share unit plan of the Company, which is an equity incentive plan of equity-based instruments that do not have option-like features, including shares, restricted shares, performance share units, restricted share units, deferred share units, phantom shares, phantom share units, share equivalent units, and stock. The plan was amended May 12, 2022.

21. SHARE CAPITAL *(continued)*

The following table provides a summary of currently active restricted share units at March 31, 2024:

Date of approval		September 15, 2021	July 22, 2022	November 15, 2023
Number of RSUs awarded		1,846,150	6,666,495	13,102,456
Vesting dates		50% each: March 31, 2022 September 30, 2022	50% each September 30, 2022 March 31, 2023	50% each November 15, 2024 July 15, 2024
RSUs forfeited		419,175	2,110,765	-
RSUs cancelled	-	-	240,157	
RSUs redeemed		1,426,975	3,828,845	-
RSUs outstanding		-	486,728	13,102,456
Period ended March 31, 2024 share-based compensation expense		$ -	$ -	$ 312,631

22. NON-CONTROLLING INTEREST

At March 31, 2024, the non-controlling interest represented a 31.22% interest in Delta 9 Lifestyle Cannabis Clinic Inc.

23. REVENUE

	March 31, 2024	March 31, 2023
Revenue from sale of cannabis:		
Wholesale	**$ 2,446,592**	$ 2,207,169
Retail	**13,938,655**	14,103,688
Medicinal		6,939
Business to business	**83,392**	576,797
Merchandise and devices	**345,955**	450,812
Other	**258,556**	146,240
	17,073,150	17,491,645
Excise tax	**(583,235)**	(589,267)
Net Revenue	**$ 16,489,915**	$ 16,902,378

24. EXPENSES

The Company presents its Consolidated Statements of Net Income and Comprehensive Income on a functional basis in which expenditures are aggregated to the function to which they relate. The Company has identified the major functions as general and administrative and sales and marketing.

Three month period ended March 31, 2024	General and administrative	Sales and marketing	**Total**
Amortization	$ 865,039	$ 1,175,004	$ 2,040,043
Insurance	124,684	25,690	150,374
Legal, professional, consulting and investor relations	394,216	21,839	416,055
Other operating expenses	314,346	367,476	681,822
Personnel expenditures	1,467,935	2,045,779	3,513,714
Utilities	53,488	119,635	173,123
Supplies and materials	31,068	76,608	107,676
	$ 3,250,776	$ 3,853,500	$ 7,104,276

Three month period ended March 31, 2023	General and administrative	Sales and marketing	**Total**
Amortization	$ 982,707	$ 1,209,759	$ 2,192,466
Insurance	252,016	18,918	270,934
Legal, professional, consulting and investor relations	320,477	50,239	370,716
Other operating expenditures	347,087	322,210	669,297
Personnel expenditures	1,377,442	2,219,244	3,596,686
Utilities	93,831	107,657	201,488
Supplies and materials	16,674	74,993	91,667
	$ 3,390,234	$ 4,003,020	$ 7,393,254

25. FINANCE INCOME (EXPENSE)

	March 31, 2024	March 31, 2023
Interest revenue	**$ 3,349**	$ 4,474
Interest expense:		
Interest and bank charges	**(305,667)**	(330,493)
Interest on loans	**(388,711)**	(498,042)
Interest on leases	**(394,137)**	(359,606)
Interest on debentures	**(552,158)**	(482,721)
	$(1,637,324)	$(1,666,388)

26. OTHER INCOME

	March 31, 2024	March 31, 2023
Amortization of government rebates	**$ 80,788**	$ 91,892

27. EARNINGS PER SHARE

Basic earnings per share

Basic EPS is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year.

	March 31, 2024	March 31, 2023
Net income (loss) attributable to common shareholders	**$(5,069,985)**	$(2,987,235)
Weighted average number of common shares	**229,255,700**	152,837,751
	$(0.02)	$(0.02)

Diluted earnings per share

Diluted EPS was calculated by dividing the applicable net income by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued. However, the calculation of diluted earnings per share excludes the effects of various conversions and exercise of options or warrants that would be anti-dilutive.

	March 31, 2024	March 31, 2023
Net income attributable to common shareholders	**$(5,069,985)**	$(2,987,235)
Weighted average number of common shares for diluted EPS	**229,255,700**	152,837,751
	$(0.02)	$(0.02)

28. COMMITMENTS

On March 19, 2018, Delta 9 Bio-Tech entered into a binding letter of intent (the "Delta LOI") dated March 19, 2018 with 6599362 Canada Inc. setting out the terms and conditions pursuant to which it is anticipated that Delta 9 Bio-Tech would purchase property including the Expansion Properties. On July 17, 2018, the Delta LOI was amended and on April 28, 2021 a binding letter of intent was signed with 6599362 Canada Inc. replacing and superseding the Delta LOI in respect of revised terms governing the purchase of the Expansion Properties and defining the area of the Expansion Properties. The final purchase price and date is yet to be determined.

29. INCOME TAXES

	March 31, 2024	December 31, 2023
Net loss before income taxes	**$(4,935,248)**	$(16,635,631)
Statutory rates:	**26.90%**	26.90%
Expected income tax recovery based on statutory rate	**(1,327,582)**	(4,474,985)
Deferred income tax asset not recognized	**$ 1,327,582**	$ 4,474,985

As at March 31, 2024, the Company has $82,219,667 of non-capital losses that expire as follows:

2030	$ 587
2031	73,021
2032	643,155
2033	1,004,283
2034	1,305,720
2035	37
2036	2,301,408
2037	11,147,707
2038	19,815,387
2039	6,966,868
2040	6,593,870
2041	18,287,056
2042	14,080,568
	$ 82,219,667

Deferred tax assets are not recognized in these consolidated interim financial statements because the realization of these deferred tax assets is contingent on future profits.

30. FINANCIAL INSTRUMENTS

As at March 31, 2024, the Company's financial instruments consist of cash and cash equivalents totaling $1,265,245, trade and other receivables totaling $2,079,802, notes receivable totaling $223,072, net amount due from related parties totaling $110,464, accounts payable and accrued liabilities totaling $13,896,550, loan from related parties totaling $2,887,819, lease liability totaling $20,099,653, borrowings totaling $32,387,808, convertible debentures totaling $8,573,651, and derivative liabilities totaling $646,000.

As at March 31, 2024 there were no significant differences between the carrying values of these items and their estimated fair values.

The Company records its financial instruments at fair value using a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is broken down into the following three levels:

	Level 1	Level 2	Level 3	**March 31, 2024**
Cash	$ 1,265,245	$ -	$ -	**$ 1,265,245**
Investment in Pure Blue Cannabis Inc. (formerly Vitreous Cannabis Inc.)	-	-	33,333	**33,333**
Investment in Oceanic Releaf Inc.	-	-	500,000	**500,000**
	$ 1,265,245	$ -	$ 533,333	**$ 1,798,578**

	Level 1	Level 2	Level 3	December 31, 2023
Cash	$ 2,153,346	$ -	$ -	$ 2,153,346
Investment in Pure Blue Cannabis Inc. (formerly Vitreous Cannabis Inc.)	-	-	33,333	33,333
Investment in Oceanic Releaf Inc.	-	-	500,000	500,000
	$ 2,153,346	$ -	$ 533,333	$ 2,686,679

31. FINANCIAL RISK AND CAPITAL MANAGEMENT

In the normal course of business, the Company is exposed to a variety of financial risk: market risk, price risk, credit risk, and liquidity risk.

Financial Risk Factors

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: currency risk and interest rate risk.

1. Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has no financial instruments denominated in a foreign currency.

2. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings issued at variable interest rates expose Company to cash flow interest rate risk. The remaining outstanding demand revolving loan is subject to variable interest rate. In 2024 the Company has not entered into any interest rate swap to mitigate this cash flow interest rate risk.

An increase of 1% in the floating interest rate with all other variables held constant, would result in an insignificant increase to interest expense for the period.

31. FINANCIAL RISK AND CAPITAL MANAGEMENT *(continued)*

Price Risk

Price risk relates to the possibility that the fair value of future cash flows from financial instruments will change due to market fluctuations (other than due to currency or interest rate movements).

Credit Risk

Credit risk arises from deposits with banks, short-term investments and outstanding receivables. For trade receivables, the Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and accordingly does not anticipate significant loss from non-performance. There is no material exposure to credit risk on cash and cash equivalents as cash balances are held by highly reputable, large financial institutions.

Liquidity Risk

The Company's liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital. The Company is in the process of finalizing a number of large contract agreements for sales of wholesale cannabis which will improve overall company liquidity once completed. Further to this, the Company is currently negotiating with various levels of Government to provide grant contributions under various programs.

The following table analyses the Company's financial liabilities, including commitments, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Payment due:	Total	Within 1 year	1 - 3 years	3 - 5 years	Over 5 years
Trade payables and other payables	$ 13,896,550	$ 13,896,550	$ -	$ -	$ -
Loan from related parties	2,887,918	-	2,887,918	-	-
Lease liabilities	20,099,653	1,967,837	9,445,092	4,461,070	4,225,654
Convertible debentures	8,573,651	8,573,651	-	-	-
Borrowings	32,387,808	28,896,615	3,491,193	-	-
Total contractual obligations	$ 77,845,580	$ 53,334,653	$ 15,824,203	$ 4,461,070	$ 4,225,654

Capital Management

The Company's key objectives when managing capital are to maintain a strong capital base in order to:

- maintain investor, creditor and market confidence;
- advance the Company's corporate strategies to generate attractive risk-adjusted return over the long-term for the shareholders;
- sustain the Company's operations and growth through all cycles; and
- ensure compliance with the covenants of any applicable credit facility and other financing facilities.

Management monitors the Company's capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term objectives.

32. SEGMENTED INFORMATION

The Company's operating results have been divided into three reportable operating segments plus corporate. All property, plant and equipment are located in Canada. All revenues were principally generated in Canada. The chief operating decision maker (the Company's chief executive officer) evaluates the operating performance of the segments and allocates resources based on information provided at gross margin level.

	Wholesale Cannabis	Retail Cannabis and Merchandise and Devices	Business to Business	**March 31, 2024**
Revenue	$ 1,863,356	$ 14,543,166	$ 83,393	**$ 16,489,915**
Gross Profit	$ 94,765	$ 4,541,743	$ 18,105	**$ 4,654,613**

	Wholesale Cannabis	Retail Cannabis and Merchandise and Devices	Business to Business	March 31, 2023
Revenue	$ 1,625,718	$ 14,580,342	$ 696,318	$ 16,902,378
Gross Profit	$ (72,169)	$ 3,885,180	$ 400,186	$ 4,213,197

33. NON-CASH TRANSACTIONS IN CASH FLOW STATEMENT

Following are the non-cash transactions in the statement of cash flows for the period ended March 31, 2024: .

- Fair value component of inventory amounting to $201,143.