Christina Lake Cannabis Corp.
Financial Statements
For the three months ended May 31, 2025 and 2024
(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Christina Lake Cannabis Corp. have been prepared by and are the responsibility of management.

These unaudited condensed interim financial statements for the three months ended May 31, 2025 have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

(Expressed in Canadian Dollars - Unaudited)

As at	Notes	May 31, 2025 $	February 28, 2025 $
ASSETS			
Current assets			
Cash		3,342,278	3,761,538
Investments		51,400	50,884
Receivables		1,665,168	1,675,080
Prepaid expenses and deposits		163,011	112,501
Assets held for sale	3	-	-
Inventory	6	5,716,264	5,401,384
		10,938,121	11,001,387
Non-current assets			
Derivative Asset	9,19	1,049,483	1,049,483
Property, plant and equipment	4	10,093,466	9,929,332
TOTAL ASSETS		**22,081,070**	**21,980,202**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,12	1,443,956	1,152,408
GST payable		36,969	66,877
Deferred revenue	18	322,682	777,351
Current portion of loans	10	234,172	255,236
Current portion of lease liability	11	258,800	226,868
Current portion of government loan	8	-	-
Current portion of convertible debentures	9	2,802,179	2,516,567
		5,098,757	4,995,307
Non-current liabilities			
Non-current portion of lease liability	11	183,906	234,504
Non-current portion of loans	10	323,089	268,183
Convertible debentures	9	4,413,901	5,908,986
TOTAL LIABILITIES		10,019,654	11,406,980
SHAREHOLDERS' EQUITY			
Share capital	13	27,166,672	26,293,507
Equity component of convertible debenture	9	2,521,057	2,521,057
Obligation to issue shares	13	113,250	113,250
Reserves		2,799,215	2,799,215
Deficit		(20,538,778)	(21,153,807)
TOTAL SHAREHOLDERS' EQUITY		**12,061,416**	**10,573,222**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**22,081,070**	**21,980,202**

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"James McMillan"

James McMillan, Director

"Gil Playford"

Gil Playford, Director

Christina Lake Cannabis Corp.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Notes	Three-month Period Ended May 31, 2025 $	Three-month Period Ended May 31, 2024 $
Revenue from services performed	17	77,088	-
Revenue from sale of goods	17	4,298,603	3,334,404
Cost of sales	6	(1,929,226)	(1,892,544)
Gross profit before fair value adjustments		**2,446,465**	**1,441,860**
Changes in fair value of inventory sold	6	(566,909)	(1,006,329)
Gross profit from sale of goods/change on growth of biological asset		**1,879,556**	**435,531**
General and administrative expenses			
Consulting fees		6,750	215,215
Communication expense		22,056	50,233
Depreciation	4,6	94,453	146,989
Foreign exchange		-	7,992
Insurance		47,278	48,190
Management fees		14,286	14,286
Office and miscellaneous		159,322	160,267
Professional fees		36,729	109,154
Property taxes		5,827	(18,824)
Research and development		2,480	790
Salaries		496,906	536,010
Share based compensation	12,13	-	-
Repairs and maintenance		83,477	63,216
Regulatory fees		99,542	101,411
Bad Debt Expense	15	-	-
Total general and administrative expenses		(1,069,106)	(1,434,929)
Other items			
Interest income		22,150	18,353
Accretion	8,9,10,11	(92,510)	(141,129)
Interest expense	9,10	(390,831)	(430,125)
Change in fair value of derivative asset	19	-	-
Gain on settlement of convertible debentures	9	265,746	(17,870)
Total other items		(195,445)	(570,771)
Gain (Loss) and comprehensive gain (loss) for the period		615,005	(1,570,169)
Gain (Loss) per share – basic and diluted		0.00	(0.01)
Weighted average number of common shares outstanding - basic and diluted		229,216,597	130,959,845

Christina Lake Cannabis Corp.
Statement of Changes in Shareholders' Equity
For the 3-month period ended May 31, 2025 and 2024
(Expressed in Canadian Dollars - Unaudited)

		Share capital						
		Common shares						
	Note	Number of shares #	Amount $	Obligation to issue shares $	Equity component of convertible liability $	Reserves $	Deficit $	Total $
Balance at November 30, 2023		**131,122,174**	**22,499,898**	**113,250**	**606,127**	**2,724,226**	**(18,481,993)**	**7,461,508**
Loss for the year		-		-	-	-	(2,671,814)	(2,671,814)
Private placement, net of share issue costs		94,193,182	3,793,609	-	-	-	-	-
Convertible debenture	9,13	-		-	1,914,930	-	-	1,914,930
Repayment of convertible debentures	9	-		-	-	-	-	-
Share based compensation	13	-		-	-	74,989	-	74,989
Balance at February 28, 2025		**225,315,356**	**26,293,507**	**113,250**	**2,521,057**	**2,799,215**	**(21,153,807)**	**10,573,222**
Gain for the period		-	-	-	-	-	615,005	615,005
Private placement, net of share issue costs		22,778,211	872,665	-	-	-	-	872,665
Convertible debenture	9,13	-	-	-	-	-	-	-
Repayment of convertible debentures	9	-	-	-	-	-	-	-
Share based compensation	13	-	-	-	-	-	-	-
Balance at May 31, 2025		**248,093,567**	**27,166,172**	**113,250**	**2,521,057**	**2,799,215**	**(20,538,778)**	**12,061,416**

Christina Lake Cannabis Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	3-month Period Ended May 31, 2025	6-month Period Ended May 31, 2024
	$	$
Operating activities		
Gain (Loss) for the year	615,005	(2,774,402)
Non-cash items:		
Accretion	92,510	213,317
Depreciation	94,453	234,419
Fair value transfer of inventory sold	566,909	1,561,231
Gain on convertible debenture settlement	(265,746)	-
Interest expense	390,831	719,381
Fair value change of derivative asset	-	-
Share-based compensation	-	4,147
Changes in non-cash working capital items:		
Change in receivables	(9,912)	99,922
Change in prepaid expenses and deposits	(50,510)	408,101
Change in inventory	(858,285)	653,958
Change in accounts payable and accrued liabilities	291,548	(1,503,459)
Net cash flows provided by operating activities	866,803	(383,385)
Investing activities		
Acquisition of property, plant and equipment	(517,314)	(3,938,193)
Proceeds from disposal of property, plant and equipment	8,000	-
Net cash flows used in investing activities	(509,314)	(3,938,193)
Financing activities		
Repayment of convertible debenture	(614,101)	(747,099)
Loan Proceeds	-	809,645
Loan payments	(98,474)	(706,635)
Lease payments	(64,174)	-
Proceeds from convertible debentures, net of issuance cost	-	4,925,000
Net cash flows (used in) from financing activities	(776,749)	4,280,911
Increase (decrease) in cash	(419,260)	(40,667)
Cash, beginning of year	3,761,538	1,468,028
Cash, end of year	**3,342,278**	**1,427,361**

Supplemental non-cash flow information:

	3-month Period Ended May 31, 2025	Period Ended May 31, 2024
	$	$
Equity portion on issuance of convertible debentures	-	517,494
Lease additions	45,508	-

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

Christina Lake Cannabis Corp. (the "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The Company is a licensed producer of cannabis in British Columbia under the Cannabis Act with a standard cultivation, processing and sales license and a research and development license. On October 1, 2020, the Company began trading on the Canadian Securities Exchange under the ticker symbol "CLC" and on the OTC Markets Group Inc. under the ticker symbol "CLCFF."

The Company's principal address, records office and registered address are located at Suite 1890 – 1075 West Georgia Street, Vancouver, BC, V6E 3C9.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at May 31, 2025, the Company had accumulated losses of $20,538,778 and incurred a gain of $615,005 for the 3-month period ended May 31, 2025. The Company's continuation as a going concern is dependent upon the Company successfully obtaining debt or equity financings and harvesting its cannabis and earning revenues from the sale of cannabis related derivatives to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to successfully harvest and sell cannabis related derivatives to achieve profitability from its business activities. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Material Accounting Policy Information

Basis of presentation

These financial statements have been prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board ("IFRS"). These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Change in Fiscal Year-End

Effective August 30, 2024, the Company changed its fiscal year-end from November 30 to February 28. As a result, the current reporting period covers a 3-month period from March 1, 2025 to May 31, 2025.

The comparative figures presented are for the 3-month and 6-month period ended May 31, 2024 and therefore are not entirely comparable to the current period's results.

This change was made to better align the Company's fiscal reporting period with the operational cycle of the Company.

These financial statements were approved and authorized for issue on July 30, 2025 by the directors of the Company.

Functional and presentation currency

In management's judgement, the functional currency of the Company is the Canadian dollar. The presentation currency used in preparing these financial statements is also the Canadian dollar.

2. Material Accounting Policy Information (Continued)

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and biological assets, expected credit losses on receivables, discount rate on lease liability, convertible debentures and loans, useful lives and valuation of property, plant and equipment, valuation of inventory and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

Management is required to make a number of estimates in calculating the fair value less costs to sell of biological assets. These estimates include a number of assumptions such as harvesting costs, conversion costs, sales price and expected yields.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in the Company's financial statements include: the classification of expenditures as building improvements to be capitalized or as operating costs which are expensed; the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, the Company reported a net loss. Basic per share amounts are the same on a dilutive basis as the result would be anti-dilutive.

Property, plant and equipment

Property, plant and equipment (includes land, building and building improvement) are stated at cost less accumulated depreciation and any impairments. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation commences once an asset is ready for its intended use. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from property, plant and equipment and any gain or loss is reflected as a gain or loss from operations.

The estimated useful lives are:

Building and building improvements	20 years
Equipment	3-5 years
Right of use assets	lease term

2. Material Accounting Policy Information (Continued)

Assets held for sale

Property and equipment is classified as held for sale if it is highly probable that its carrying amount will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the statement of loss and comprehensive loss. Once classified as held for sale, property and equipment is no longer depreciated.

Impairment of assets

The Company performs impairment tests on its property, plant and equipment when new events or circumstances occur or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of the depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is the greater of an asset's fair value less costs to sell and value in use. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase or other valuation techniques. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Material Accounting Policy Information (Continued)

Financial instruments

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial instruments:

Financial Instrument	Classification
Cash	FVTPL
Investments	FVTPL
Biological assets	FVTPL
Derivative asset	FVTPL
Receivables	Amortized Cost
Accounts payable	Amortized Cost
GST payable	Amortized Cost
Convertible debentures	Amortized Cost
Government loan	Amortized Cost
Loans	Amortized Cost

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Financial assets through other comprehensive income ("FVTOCI")
Financial assets that meet the following conditions are measured at FVTOCI:

The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

2. Material Accounting Policy Information (Continued)

Financial Instruments (Continued)

Impairment of financial assets at amortized cost
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 the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive 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.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Convertible debentures
The convertible debentures which meet the fixed-for-fixed criteria (fixed consideration received and fixed number of shares issued upon conversion) are separated into their liability, derivative asset and equity components on the statements of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for the non-convertible debt with similar terms at the time of issue. The fair value of the derivative asset is computed using an appropriate valuation technique. The value of the equity component is determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component less the fair value of the derivative asset. The derivative asset is fair valued at each reporting period. At the time of repayment, the equity component is transferred to retained earnings.

Transaction costs that are directly attributed to the issuance of the debentures are recorded against equity and loan components on a pro-rated basis. Transaction costs allocated to the liability component are accreted over the term of the loan using the effective interest rate method.

2. Material Accounting Policy Information (Continued)

Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset with a corresponding lease liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the statement of comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less. The Company has short-term leases of equipment and office rentals.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and any related amount recorded in warrant reserve is transferred to share capital.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Restricted Share Units, ("RSUs") are equity settled only. Compensation expense is recognized based on the share price of the Company's common shares on the grant date multiplied by the number of RSUs expected to vest and recognized ratably over the vesting period, with a corresponding credit to shares based payment reserve.

2. Material Accounting Policy Information (Continued)

Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. These biological assets are measured at fair value less costs to sell. The Company capitalizes all related direct costs of growing materials as well as other indirect costs of production such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred and subsequently transferred to inventory at the point of harvest. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the statements of loss and comprehensive loss and subsequently transferred to inventory at the point of harvest.

Inventory

Inventory is valued at the lower of cost and net realizable value. The capitalized cost for produced inventory includes the direct and indirect costs initially capitalized to biological assets before the transfer to inventory. The capitalized cost also includes subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labelling and inspection. The total cost of inventory also includes a fair value adjustment which represents the fair value of the biological asset at the time of harvest. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of goods sold' on the statements of loss and comprehensive loss at the time cannabis related derivatives are sold and the realized fair value amounts included in inventory sold are recorded as a separate line on the statements of loss and comprehensive loss.

Revenue recognition

IFRS 15, Revenue from Contracts with Customers ("IFRS 15) specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Company generated revenue from the sale of cannabis related derivatives. Revenue is recognized when the Company transfers control of the goods to the customer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive considering any variation that may result from rights of return.

The Company also recognizes services revenue for services related to growing cannabis plants for customers and for processing customer's cannabis biomass into distillate. Because the Company does not have control of the product or inventory, service revenue is recognized as the services are provided assuming collection of revenue from the customer is probable.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

2. Material Accounting Policy Information (Continued)

Recent Accounting Pronouncements

As at the date of authorization of these financial statements, the IASB had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after March 1, 2025. In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which replaces IAS 1 Presentation of Financial Statements. This standard aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company is currently assessing the impact the new standard will have on its financial statements. Other recent accounting pronouncements are not applicable or do not have a significant impact to the Company, have been excluded.

The Company adopted the following standards effective December 1, 2023 which had no impact on the financial statements

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity. These amendments had no impact on the financial statements.

3. Assets held for sale

During the year ending February 28, 2025 assets held for sale were reclassified back to property, plant and equipment as the listing for the property at 46 Ponderosa Drive expired on September 2024. Subsequent to the expiry of the listing the Company elected to hold onto the property. As a result the asset held for sale was transferred back to property, plant and equipment.

The fair value of the property at the date the property was transferred to land was determined to be $617,645 resulting in a fair value increase of $35,878 which was recorded in the statement of loss and comprehensive loss for the 15-month period ended February 28, 2025

	May 31, 2025 $	**February 28, 2025 $**
Asset held for sale beginning of period	-	581,767
Fair value increase (decrease)	-	35,878
Transfer (to) from asset held for sale (note 4)	-	(619,645)
Asset held for sale end of period	**-**	**-**

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

4. Property, plant and equipment

	Right-of-use assets $	Equipment $	Land $	Building & building improvements $	Total $
Cost			**(note 9)**		
Balance at November 30, 2023	59,924	5,821,029	468,630	6,027,075	12,376,658
Additions	619,522	2,075,914	2,050,000	137,499	4,882,935
Disposals	-	(25,000)	-	-	(25,000)
Transfer from asset held for sale (note 3)	-		617,645	-	617,645
Balance, February 28, 2025	679,446	7,871,943	3,136,275	6,164,574	17,852,238
Additions	45,508	220,538	-	296,776	562,822
Disposals	-	(8,000)	-	-	(8,000)
Balance, May 31, 2025	724,954	8,084,481	3,136,275	6,461,350	18,407,060
Accumulated depreciation					
Balance, November 30, 2023	59,924	4,215,803	-	2,151,714	6,427,441
Depreciation	158,337	1,253,872	-	291,858	1,704,067
Reversal of impairment PP&E	-	-	(35,878)	(208,602)	(244,480)
Transfer from asset held for	-	-	35,878	-	35,878
Balance, February 28, 2025	218,261	5,469,675	-	2,234,970	7,922,906
Depreciation	68,677	280,742	-	41,269	390,688
Balance, May 31, 2025	286,938	5,750,417	-	2,276,239	8,313,594
Net book value					
February 28, 2025	461,185	2,402,268	3,136,275	3,929,604	9,929,332
May 31, 2025	438,016	2,334,064	3,136,275	4,185,111	10,093,466

During the period ended May 31, 2025, the Company capitalized depreciation of $278,780, (2024 - $489,594) as inventory processing cost and $Nil (2024 - $Nil) as biological asset cost.

During the 15-month period ended February 28, 2025, the Company determined there were indicators of a reversal of impairment related to the carrying value of land and building. The Company recorded a fair value adjustment totaling $35,878 on the property located at 46 Ponderosa Drive, Christina Lake, BC (note 3). The Company recorded a reversal of prior year impairment totaling $208,602 against the property located at 775 Highway 395, Christina Lake, BC as the Company's recoverable amount calculated by the fair value, based on a market value by comparison approach being a level 2 measurement in the fair value hierarchy, less cost of disposal approach, was in excess of the the carrying value as of February 28, 2025. The fair value increased due to changes in the real estate market.

During the year ended November 30, 2023, the Company determined there were indicators of potential impairment related to the carrying value of property plant & equipment. The Company recorded an impairment totaling $2,176,000 against property, plant and equipment, as the Company's recoverable amount which was calculated by the fair value less cost of disposal approach, was less than the carrying value as of November 30, 2023. The fair value less cost of disposal was based on the market value by comparison approach, being a level 2 measurement in the fair value hierarchy. Key inputs are the acquisition metrics of recent transactions completed on similar assets to those of the Company.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

5. Biological assets

Biological assets are comprised of:

	Amount $
Balance at November 30, 2022	-
Changes in fair value less cost to sell due to biological transformation	2,066,819
Production cost capitalized	2,391,429
Transferred to inventory upon harvest (note 6)	(4,458,248)
Balance at November 30, 2023	-
Changes in fair value less cost to sell due to biological transformation	3,991,510
Production cost capitalized	6,415,007
Transferred to inventory upon harvest (note 6)	(10,406,517)
Balance at February 28, 2025 and May 31, 2025	-

Measurement of the biological transformation of the plants at fair value less costs to sell and less incremental processing costs post-harvest is recognized at the point of harvest.

The Company has determined that conversion of plants to flower and distillate is the highest and best use. The Company has determined the fair value less costs to sell and less incremental processing costs of cannabis distillate to be $1.37 (2023- $1.53) per gram of distillate. The average harvested yield of biomass and flower is 1,015 (2023 – 1,306) grams per plant with an average yield from dried biomass to distillate of 6% to 9% (2023- 6% to 9%) and 27% to 30% to flower depending on strains.

The fair value of biological assets is determined using a valuation model to estimate expected yield per plant applied to the estimated selling price per gram less incremental processing and selling costs. Only when there is a material change from the expected fair value used for cannabis does the Company make any adjustments to the fair value used.

Sales price used in the valuation of biological assets is based on the average selling price of cannabis distillate products and can vary on the proportion of sales derived from wholesale sales. Selling costs vary depending on methods of selling and are considered based on the expected method of selling and the determined additional processing costs which would be incurred. Expected yields for the cannabis plants is also subject to a variety of factors, such as strains being grown, length of growing cycle and designated planting area or density. Management reviews all significant inputs based on historical information obtained.

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

Significant inputs & assumptions	Range of inputs		Sensitivity	Impact on fair value	
	February 28, 2025	November 30, 2023		February 28, 2025	November 30, 2023
Average selling price per gram	$1.74	$1.90	Increase or decrease of $0.25 per gram	$1,171,138	$575,500
Average yield per plant (grams)	1,015	1,306	Increase or decrease of 5% in yield per plant	$520,125	$151,451
Average yield to distillate from biomass (dependent on strain)	6%-9%	6%-9%	Increase or decrease of distillate yield by 5%	$407,556	$218,690

These inputs are level 3 on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the biological transformation to inventory upon harvest.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

6. Inventory

Inventory is comprised of cannabis biomass and derivatives:

	Amount $
Balance at November 30, 2023	5,654,514
Capitalized cost	5,137,401
Harvested cannabis biomass (note 5)	10,406,517
Inventory write-down	(3,090,312)
Cost of sales	(9,866,265)
Changes in fair value of inventory sold	(2,840,471)
Balance at February 28, 2025	5,401,384
Capitalized cost	2,811,015
Cost of sales	(1,929,226)
Changes in fair value of inventory sold	(566,909)
Balance at May 31, 2025	5,716,264

During the period ended May 31, 2025, the Company recognized $2,532,235 (2024 - $852,768 of production costs and depreciation of $278,780 (2024 - $457,793).

During the period ended February 28, 2025, the Company recognized $3,090,312 (2023- $443,047) in inventory impairment primarily due to lower than expected yield in cannabis related derivatives from baled biomass and reallocation of those inputs into biomass sales.

The Company held the following inventory:

	May 31, 2025 $	**May 31, 2024 $**
Work-in-process	4,882,504	2,668,506
Finished goods	833,760	1,260,413
	5,716,264	**3,928,919**

7. Accounts payable and accrued liabilities

	May 31, 2025 $	**February 28, 2025 $**
Accounts payable	490,980	265,590
Accrued liabilities	952,976	886,818
	1,443,956	**1,152,408**

8. CEBA Loan

The Company entered into a Canada Emergency Business Account "CEBA" loan with the Government of Canada. The loan is an interest free loan of $40,000 from the Government of Canada. If the CEBA loan is repaid by January 18, 2024, 25% being $10,000 will be forgiven. If the Company is not able to repay, the loan will convert into a regular loan with a three-year term bearing interest 5% per annum. Upon initial recognition, the Company recorded a gain on government loan of $15,309. During the year ended February 28, 2025, the Company recorded accretion expense of $nil (2023 - $5,007). The CEBA loan was fully repaid on January 15, 2024.

9. Convertible debentures

Convertible debenture issued in 2024

On February 9, 2024 the Company closed an asset acquisition in Midway, BC and issued a secured convertible debenture in the principal amount of $3,000,000. The debenture is collateralized by land and buildings located at 2775 Myers Creek Rd E Midway, BC and certain assets described in the purchase agreement. The debenture matures in 60 months from the date of issuance and bears interest at the rate of 10% per annum in the first 12 months, 15% per annum in the second 12 months and 20% per annum for the remaining 36 months with such interest to be accrued on a monthly basis and paid on an annual basis in the first 24 months. From month 25 to maturity the annual payments convert into quarterly interest payments with annual principal payments on the anniversary date in months 36, 48 and 60. Pursuant to the terms of the debenture, the subscribers may at any time prior to the maturity date convert the principal amounts of the debenture and any accrued but unpaid interest into common shares of the Company, at a price of $0.05 per common share. The Company may prepay the debenture at any time prior to maturity with an early termination penalty equal to the remaining interest payable under the Note, which was considered a derivative asset.

The above convertible debenture is a compound financial instrument. The Company allocated $2,690,749, net of issuance costs, of the debt to the liability component and $1,166,455 to the equity component. The fair value of the prepayment option was $857,204. Management estimated the fair value of the debt component using a discount rate of 20% applicable to the Company's business, the fair value of the prepayment option being the derivative asset was determined using a with and without fair value calculation with the residual value allocated to the equity component.

On February 29, 2024 the Company closed a non-brokered private placement of secured convertible debentures in the principal amount of $1,925,000 respectively. The debentures are collateralized by land and buildings with a subordinated priority to the $3,000,000 convertible debenture holders. The debentures mature in 60 months from the date of issuance and bear interest at the rate of 10% per annum in the first 12 months, 15% per annum in the second 12 months and 20% per annum for the remaining 36 months with such interest to be accrued on a monthly basis and paid on an annual basis in the first 24 months. From month 25 to maturity the annual payments convert into quarterly interest payments with annual principal payments on the anniversary date in months 36, 48 and 60. Pursuant to the terms of the debentures, the subscribers may at any time prior to the maturity date convert the principal amounts of the debentures and any accrued but unpaid interest into common shares of the Company, at a price of $0.05 per common share. The Company may prepay the debentures at any time prior to maturity with an early termination penalty equal to the remaining interest payable under the Note which is considered a derivative asset. $1,355,000 of the secured convertible debentures were subscribed to by directors and officers of the Company (Note 12).

The above convertible debenture is a compound financial instrument. The Company allocated $1,726,564, net of issuance costs, of the debt to the liability component and $748,475 to the equity component. The fair value of the prepayment option was $550,039. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company's business, the fair value of the prepayment option being the derivative asset was determined using a with and without fair value calculation with the residual value allocated to the equity component.

9. Convertible debentures (Continued)

Convertible debenture issued in 2023
On September 12, 2023, September 25, 2023 and November 3, 2023 the Company closed a non-brokered private placement of secured convertible debentures in the principal amount of $3,190,000, $750,000 and $294,000 respectively. The debentures are secured by land and buildings. The debentures mature in 36 months from the date of issuance and bear interest at the rate of 15% per annum, with such interest to be accrued on a monthly basis and paid on a monthly basis. From month 16 to maturity the monthly payments convert into blended principal & interest payments. Pursuant to the terms of the debentures, the subscribers may at any time prior to the maturity date convert the principal amounts of the debentures and any accrued but unpaid interest into common shares of the Company, at a price of $0.06 per common share. The Company may prepay the debentures at any time prior to maturity. $2,498,000 of the secured convertible debentures were subscribed to by directors and officers of the Company.

The above convertible debenture is a compound financial instrument. The Company allocated $3,830,036, net of issuance costs, of the debt to the liability component and $377,004 to the equity component. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company’s business, with the residual value allocated to the equity component.

Convertible debenture issued in 2022
On September 8, 2022 and October 18, 2022, the Company closed a non-brokered private placement of unsecured convertible debentures in the principal amount of $810,000 and $150,000, respectively. The debentures mature in 36 months from the date of issuance and bear interest at the rate of 15% per annum, with such interest to be accrued on a monthly basis and paid on a semi-annual basis. Pursuant to the terms of the debentures, the subscribers may at any time prior to the maturity date convert the principal amounts of the debentures and any accrued but unpaid interest into common shares of the Company, at a price of $0.15 per common share. $300,000 of unsecured convertible debentures were subscribed by directors and officers of the Company.

On September 8, 2022 and October 18, 2022, the Company issued 405,000 and 75,000 bonus warrants to the subscribers of the offering, respectively. Each subscriber received one half of one bonus warrant for each $1 subscribed under the offering. Each bonus warrant is exercisable until December 31, 2024 to acquire one additional common share per bonus warrant at an exercise price of $0.20 per share. The bonus warrants are subject to an acceleration clause, whereby if the volume weighted average price of the Company's common shares exceeds $0.40 per common share for a period of 20 days, the Company may accelerate the expiry of the bonus warrants by providing notice to the holders.

In connection with the first tranche of the private placement, the Company paid a finder’s fee of $9,000 in cash.

The convertible debenture is a compound financial instrument. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company’s business, with the residual value allocated to the equity components of the convertible debenture.

The residual value was allocated between the warrants and the conversion feature using the relative fair value method. The Black Scholes Option Pricing Model was used to determine the fair value of the warrants and conversion feature. For the warrant fair value, the inputs for the pricing model were stock prices between $0.115 and $0.13 and exercise price of $0.20, expected life between 2.22 years and 2.32 years, volatility between 106% and 114% and a risk-free interest rate of 3.57% to 4.13%. For the conversion feature, the inputs for the pricing model were a stock price stock prices between $0.115 and $0.13 and exercise price of $0.15, expected life of 3 years, volatility between 106% and 114% and a risk-free interest rate of 3.57% to 4.13%.

9. Convertible debentures (Continued)

Convertible debenture issued in 2020

During the year ended November 30, 2020, the Company closed six tranches of unsecured convertible debenture financings ("Debentures") with an aggregate face value of $5,000 each. The Debentures bear interest of 12%, maturing in 24 months and the principal and interest are convertible into common shares at a conversion price of $0.20 per common share, at the option of the debenture holders.

During the year ended November 30, 2021, a portion of the Debentures were converted to shares and 5,936,000 shares were issued, extinguishing $1,052,224 in principal debt and related interest. Management estimated the fair value on initial recognition of the Debentures using a discount rate of 20% with the residual value allocated to the equity component of the Debentures.

On March 13, 2022, the Company amended the terms of the following Debentures:

- 358 Debentures issued on March 13, 2020 in the principal amount of $1,790,000;
- 158 Debentures issued on March 23, 2020 in the principal amount of $790,000;
- 20 Debentures issued on April 7, 2020 in the principal amount of $100,000;
- 5 Debentures issued on May 14, 2020 in the principal amount of $25,000;
- 50 Debentures issued on May 25, 2020 in the principal amount of $250,000; and
- 38.5 Debentures issued on August 20, 2020 in the principal amount of $192,500.

On August 18, 2022, the Company amended the terms of an additional 12.4 Debentures issued on August 20, 2020 in the principal amount of $62,000.

The amended terms are as follows:

- Term extension from 24 months to 42 months
- Change in interest payable from a non-pro rata basis for year one and a pro rata basis for year two to a non-pro rata basis for the full term. All interest payable shall be convertible into common shares at a price of $0.20 per common share, with an amount equals to unpaid interest for the period from last payment date to the maturity date, regardless of the date of conversion.

Due to the amendment to the terms of the Debentures, the Company is deemed to have extinguished the existing debentures and reissued new debentures with the new terms. The Company valued the liability and conversion feature of the new debentures at $3,590,918 and $1,782,4287 respectively.

During the year ended November 30, 2023, the Company repaid $4,174,250 of the liability component of the 2020 convertible debenture. On repayment, the equity component was transferred to retained earnings. A gain on repayment of $214,946 was recognized in the statement of loss and comprehensive loss.

During the 15-month period ending February 28, 2025 the Company allowed certain debenture holders to convert a portion of the principal and interest into common shares at the same price as a concurrent financing. This resulted in the Company recognizing a total loss on conversion of $704,454 ($438,498 related to tranche 1, $92,256 related to tranche 2, $30,804 related to tranche 3, $39,664 related to cash convertible debenture and $103,232 related to the Midway debenture) (2023- $nil).

During the 3-month period ending May 31, 2025 the Company allowed certain debenture holders to convert a portion of the principal and interest into common shares at the same price as a concurrent financing. This resulted in the Company recognizing a total gain on conversion of $265,746 (2024- $53,527).

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

9. Convertible debentures (Continued)

The following table reconciles the recorded value of the liability component:

	2024 Convertible debenture $	2023 Convertible debenture $	2022 Convertible debenture $	2020 convertible debenture $	Total $
Balance, November 30, 2022	-	-	898,468	4,035,184	4,933,652
Additions	-	3,830,036	-	-	3,830,036
Repayment	-	(95,850)	(144,000)	(4,174,250)	(4,414,100)
Interest expense	-	125,648	144,000	296,683	566,331
Accretion expense	-	31,402	32,072	194,005	257,479
Balance, November 30, 2023	-	3,891,236	930,540	351,622	5,173,398
Additions	4,417,313	-	-	-	4,417,313
Repayment	-	(996,160)	(144,000)	(394,596)	(1,534,756)
Settlement	(425,000)	(1,353,900)	-	-	(1,778,900)
Interest expense	468,549	763,172	179,901	30,540	1,442,162
Accretion expense	436,430	215,640	41,832	12,434	706,336
Balance, February 28, 2025	4,897,292	2,519,988	1,008,273	-	8,425,553
Additions	-	-	-	-	-
Repayment	-	(396,529)	(72,000)	-	(468,529)
Settlement	-	(1,138,911)	-	-	(1,138,911)
Interest expense	155,384	78,073	72,000	-	305,457
Accretion expense	58,544	25,427	8,539	-	92,510
Balance, May 31, 2025	5,111,220	1,088,048	1,016,812	-	7,216,080
Current portion	969,331	816,036	1,016,812	-	2,802,179
Non-current portion	4,141,889	272,012	-	-	4,413,901

The following table reconciles the recorded value of the equity component:

	2024 equity component $	2023 equity component $	2022 equity component $	2020 equity component $	Total $
Balance, November 30, 2022	-	-	90,013	1,782,428	1,872,441
Additions	-	377,004	-	-	377,004
Repayment	-	-	-	(1,643,318)	(1,643,318)
Balance, November 30, 2023	-	377,004	90,013	139,110	606,127
Additions	1,914,930	-	-	-	1,914,930
Balance, February 28, 2025 and May 31, 2025	1,914,930	377,004	90,013	139,110	2,521,057

10. Loan payable

During the year ended November 30, 2022, the Company entered into a loan agreement in connection with the redemption and cancellation of the Class B Preferred Shares for $2,000,000. The loan bears simple interest at 8% per annum and matures August 31, 2024 collateralised by equipment and land of the Company. Upon issuance of the loan, the Company repaid one loan holder $250,000 principal and $48,384 interest for the entire term. Therefore, the additions of the loan is higher than its face value.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the year ended February 28, 2025, the Company repaid in full the loan agreement in connection with the redemption and cancellation of the Class B Preferred Shares.

	$
Balance, November 30, 2022	-
Additions (note 13)	1,471,467
Accretion	(68,738)
Repayments	(812,500)
Interest paid in cash	(151,507)
Interest	140,000
Balance, November 30, 2023	578,722
Accretion	(16,222)
Repayment of principal	(562,500)
Interest paid in cash	(105,479)
Interest	105,479
Balance, February 28, 2025 and May 31, 2025	-

During the year ended November 30, 2020, the Company entered into a loan agreement to purchase equipment for $15,640. The loan does not bear interest and matures in four years.

	$
Balance, November 30, 2022	7,494
Repayments	(3,910)
Balance, November 30, 2023	3,584
Repayments	(3,584)
Balance, February 28, 2025 and May 31, 2025	-

During the year ended November 30, 2023, the Company entered into a loan agreement to purchase equipment for $291,559. The loan bears interest at 15% per annum and matures on September 15, 2026. The first 15 months of the loan is interest only payments.

	$
Balance, November 30, 2022	-
Additions	291,559
Interest paid in cash	(7,289)
Interest	7,289
Balance, November 30, 2023	291,559
Repayments	(27,768)
Interest paid cash	(54,493)
Interest	54,493
Balance, February 28, 2025	263,791
Repayments	(41,651)
Interest paid cash	(9,372)
Interest	9,372
Balance, May 31, 2025	222,140
Current portion	194,720
Non-current portion	27,420

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the year ended November 30, 2023, the Company entered into a loan agreement to purchase equipment for $61,915. The loan bears interest at 1.49% per annum and matures on December 15, 2028.

	$
Balance, November 30, 2022	-
Additions	61,915
Repayments	(9,459)
Interest paid in cash	(435)
Interest	435
Balance, November 30, 2023	52,456
Repayments	(12,599)
Interest paid in cash	(893)
Interest	893
Balance, February 28, 2025	39,857
Repayments	(2,552)
Interest paid in cash	(146)
Interest	146
Balance, May 31, 2025	37,305
Current portion	10,794
Non-current portion	26,511

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $63,590. The loan bears interest at 4.99% per annum and matures on December 15, 2029.

	$
Balance, November 30, 2023	-
Additions	63,590
Repayments	(11,692)
Interest paid in cash	(3,666)
Interest	3,666
Balance, February 28, 2025	51,898
Repayments	(2,418)
Interest paid in cash	(653)
Interest	653
Balance, May 31, 2025	49,480
Current portion	12,286
Non-current portion	37,195

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $333,951. The loan is non-interest bearing and matures on September 5, 2024.

	$
Balance, November 30, 2023	-
Additions	333,951
Repayments	(333,951)
Balance, February 28, 2025 and May 31, 2025	-

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the year ended November 30, 2023, the Company entered into a loan agreement to purchase equipment for $19,339. The loan does not bear interest and matures in three years.

	$
Balance, November 30, 2022	-
Additions	19,339
Repayments	(4,298)
Balance, November 30, 2023	15,041
Repayments	(8,058)
Balance, February 28, 2025	6,983
Repayments	(1,612)
Balance, May 31, 2025	5,371
Current portion	5,371
Non-current portion	-

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $83,771. The loan does not bear interest and matures in six years.

	$
Balance, November 30, 2023	-
Additions	83,771
Repayments	(3,759)
Balance, February 28, 2025	80,012
Repayments	(3,222)
Balance, May 31, 2025	76,790
Current portion	13,962
Non-current portion	62,828

During the 15-month period ended February 28, 2025, the Company entered into a loan agreement to purchase equipment for $84,460. The loan bears interest at a rate of 1.99% and matures in six years.

	$
Balance, November 30, 2023	-
Additions	84,460
Repayments	(3,581)
Interest paid in cash	(443)
Interest	443
Balance, February 28, 2025	80,879
Repayments	(2,714)
Interest paid in cash	(370)
Interest	370
Balance, May 31, 2025	77,794
Current portion	14,946
Non-current portion	62,848

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

10. Loan payable (Continued)

During the 3-month period ended May 31, 2025, the Company entered into a loan agreement to purchase equipment for $90,934. The loan in non-interest bearing and matures in six years.

	$
Additions	90,934
Repayments	(2,526)
Balance, May 31, 2025	88,408
Current portion	15,156
Non-current portion	73,252

11. Lease liability

During the 3-month period ended May 31, 2025, the Company entered into a lease agreement to lease a tractor for a period of 18 months. The Company recognized a right-of-use asset of $45,508 and lease liability of $45,508.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the tractor at the end of the lease for $44,105.

During the 15-month period ended February 28, 2025, the Company entered into a lease agreement to lease a baler for a period of 3 years. The Company recognized a right-of-use asset of $455,259 and lease liability of $439,259.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the baler at the end of the lease for $100,000.

During the15-month period ended February 28, 2025, the Company entered into a lease agreement to lease forage bins for a period of 2 years. The Company recognized a right-of-use asset of $38,357 and lease liability of $38,357.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the forage bins at the end of the lease for $37,000.

During the 15-month period ended February 28, 2025, the Company entered into a lease agreement to lease a forage harvester for a period of 14 months. The Company recognized a right-of-use asset of $97,440 and lease liability of $97,440.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. On December 20, 2024 the Company extended the lease for an additional 12-month term. The Company has an option to buyout the forage harvester at the end of the extended lease for $172,125.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

11. Lease liability

During the 15-month period ended February 28, 2025, the Company entered into a lease agreement to lease a bale knife and mixer for a period of 12 months. The Company recognized a right-of-use asset of $28,466 and lease liability of $28,466.

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 6%, which was the Company's estimated incremental borrowing rate. The Company has an option to buyout the bale knife at the end of the lease for $65,500.

The following is a continuity schedule of lease liabilities for the period ended May 31, 2025 and year ended February 28, 2025:

	$
Balance, November 30, 2023	-
Lease additions (Note 4)	619,522
Lease payments	(162,346)
Accretion on lease liability	4,196
Balance, February 28, 2025	461,372
Lease additions (Note 4)	45,508
Lease payments	(64,174)
Balance, May 31, 2025	442,706
Current portion	258,800
Non-current portion	183,906

The undiscounted contractual payments relating to the current and future lease liabilities is:

May 31, 2025	
Less than 1 year	241,086
1 to 2 years	172,657
2 to 3 years	53,452
Less: amount representing interest	(24,489)
Lease liability at May 31, 2025	442,706

12. Related party transactions and balances

The Company has identified its directors and certain senior officers as its key management personnel.

As at May 31, 2025, $197,988 (2024 - $150,382) was included in accounts payable and accrued liabilities for related parties of the Company. The balances are unsecured, due on demand and are non-interest bearing.

As at May 31, 2025, the Company has an obligation to issue 500,000 shares (2024 – 500,000 shares) to the former CEO in lieu of cash for consulting fees in the amount of $113,250 (2024 - $113,250) earned in prior years (Note 13).

During the period ending May 31, 2025, directors and officers of the Company subscribed for 21,524,011 common shares for gross proceeds of $1,076,201 (2024 – $2,140,875) in a non-brokered private placement of common shares (Note 13).

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

12. Related party transactions and balances (Continued)

During the period ending May 31, 2025, the Company entered into a lease agreement with payments of $2,650 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 18 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2025, directors and officers of the Company subscribed for $1,355,000 (2023 – $2,498,000) convertible debentures in a non-brokered private placement of secured convertible debentures (Note 9).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $3,300 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 14 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $13,363 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 36 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $1,700 per month for harvest equipment. The equipment was acquired from a company controlled by a director. The lease agreement is for 24 months with a buyout option at the end of the term (Note 11).

During the year ending February 28, 2025, the Company entered into a lease agreement with payments of $2,450 per month for harvest equipment. The equipment was acquired from a company 50% controlled by a director. The lease agreement is for 12 months with a buyout option at the end of the term (Note 11).

During the period ending May 31, 2025, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the period ended May 31, 2025 and May 31, 2024:

	3-Month Period Ended May 31, 2025 $	6-Month Period Ended May 31, 2024 $
Management Consulting fees paid to an officer of the Company	15,000	33,600
Lease payments to a company controlled by a director	77,863	29,773
Salaries and bonus paid to key management	145,000	335,433
Share based payments	-	4,145
	237,864	402,951

13. Share Capital

Authorized share capital

Unlimited number of common shares without par value.
Unlimited number of Class B preferred shares without par value.

Issued share capital

At May 31, 2025, there were 248,093,565 (2024 – 131,122,174) issued and fully paid common shares outstanding.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

13. Share Capital (Continued)

Share issuances during the period ended May 31, 2025

During the period ended May 31, 2025, the Company issued 22,778,211 common shares through a non-brokered private placement at a price of $0.05 per common share for gross proceeds of $1,138,911.

Share issuances during the year ended February 28, 2025

During the year ended February 28, 2025, the Company issued 94,193,182 common shares through a non-brokered private placement at a price of $0.033 per common share for gross proceeds of $3,793,609.

Share issuances during the year ended November 30, 2023

During the year ended November 30, 2023, the Company issued 250,000 common shares with a fair value of $96,250, pursuant to the vesting of restricted stock units. The Company transferred $96,250 from reserves to share capital.

Warrants

The continuity of the Company's share purchase warrants is as follows:

	Number of share purchase warrants \#	Weighted average exercise price $
Outstanding, November, 30, 2023	3,818,176	0.59
Expired	(3,818,176)	0.59
Outstanding, February 28, 2025	-	-
Granted	11,389,103	0.065
Outstanding, May 31, 2025	11,389,103	0.065

During the period ending May 31, 2025, the Company issued 11,389,103 purchase warrants with an exercise price of $0.065 exercisable to acquire common shares of the Company for a term of 5 years.

Stock Options

On March 1, 2017, the Board of Directors approved the adoption of a fixed Stock Option Plan reserving for issuance, upon the exercise of options granted pursuant to the Stock Option Plan, a maximum of 20% of the issued and outstanding shares of the Company, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the Stock Option Plan. The Stock Option Plan was subsequently replaced with the 2018 Plan which was approved by shareholders at its January 9, 2019 Annual General and Special Meeting. The 2018 Plan is substantively similar to the Stock Option Plan except that it increases the number of common shares reserved under it. The 2018 Plan reserves 8,158,321 common shares (which represents 20% of the Company’s outstanding common shares as of the record date for the Meeting), compared to 199,520 under the Stock Option Plan.

Stock options granted during the year ended February 28, 2025

On August 30, 2024, the Company granted 910,000 options to employees (“Employee Stock Options”) of which 600,000 stock options was to an officer of the Company (“Officer Stock Options”). The Employee Stock Options and Officer Stock Options have exercise prices of $0.05, respectively and expire on August 30, 2029. The total fair value of the options was $18,255 and was determined using the Black Scholes Option Pricing Model with the following assumptions: Expected life – 5 years; risk-free interest rate – 3.03%; volatility: 97%. The Employee Stock Options and Officer Stock Options vest one year from the date of grant.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

13. Share Capital (Continued)

During the 3-month period ended May 31, 2025 the Company recorded $Nil (2024- $4,145) in share-based compensation. The options granted on August 30, 2024 have not vested within the reporting period.

The continuity of the Company's share purchase options is as follows:

	Number of share purchase options \#	Weighted average exercise price $
Outstanding, November 30, 2022	11,483,400	0.18
Granted	-	-
Exercised	-	-
Cancelled	-	-
Outstanding, November 30, 2023	11,483,400	0.18
Granted	910,000	0.05
Exercised	-	-
Cancelled	(5,333,400)	0.11
Outstanding, February 28, 2025	7,060,000	0.22
Granted	-	-
Exercised	-	-
Cancelled	-	-
Outstanding, May 31, 2025	7,060,000	0.22

There were no options granted during the period ended May 31, 2025 (2024- $Nil).
There were no options exercised during the 3-month period ended May 31, 2025 or year ended February 28, 2025.

As of May 31, 2025, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price $	Number of options outstanding \#	Number of options exercisable \#
August 20, 2025	0.20	100,000	100,000
August 20, 2025	0.25	150,000	150,000
August 20, 2025	0.15	1,650,000	1,650,000
August 20, 2025	0.09	100,000	100,000
September 29, 2025	0.20	850,000	850,000
November 26, 2025	0.40	1,100,000	1,100,000
January 8, 2026	0.88	200,000	200,000
May 4, 2026	0.61	175,000	175,000
March 15, 2027	0.25	375,000	375,000
March 15, 2027	0.20	300,000	300,000
June 20, 2027	0.12	1,000,000	1,000,000
August 10, 2027	0.15	150,000	150,000
August 30, 2029	0.05	910,000	-
		7,060,000	6,150,000

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

13. Share Capital (Continued)

Restricted share units ("RSUs")

On April 19, 2021, the Board of Directors approved the adoption of a RSUs Plan reserving for issuance, upon the vesting of units granted pursuant to the RSUs Plan, a maximum of 20% of the issued and outstanding shares of the Company, including the Company's stock option plan.

On September 30, 2021, the Company granted 1,000,000 RSUs to the President of the Company. 250,000 of the RSUs vested immediately upon issuance, with the balance to vest in three increments of 250,000 over 18 months. The RSUs were priced at $0.385 based on the closing price of the common shares on the Canadian Securities Exchange on September 29, 2021. The total fair value of the RSU's was $385,000. As at February 28, 2025, the Company has recognized $Nil (2023 - $21,154) in share based compensation.

On March 15, 2022, the Company issued an aggregate of 200,000 RSUs to a director of the Company in accordance with the Company's RSU plan. The RSUs vest upon various agreed upon milestones and entitle the holder the ability to acquire one common share of the Company underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU plan. The total fair value of the RSU was $40,000.

On August 30, 2024, the Company issued an aggregate of 4,550,000 RSUs to employees, officers and directors of the Company in accordance with the Company's RSU plan. The RSUs vest one year from the date of grant and entitle the holder the ability to acquire one common share of the Company underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU plan. The total fair value of the RSU was $136,500. During the period ended May 31, 2025, the Company recognized share-based compensation of $Nil (2024 - $4,145).

As of May 31, 2025, the Company has 4,750,000 RSUs outstanding, of which 200,000 remains exercisable.

The continuity of the Company's restricted share plan is as follows:

	Restricted Share Units #
Outstanding, November 30, 2023	200,000
Granted	4,550,000
Vested	200,000
Outstanding, February 28, 2025	4,750,000
Granted	-
Vested	-
Outstanding, May 31, 2025	4,750,000

Reserve

The reserve account records items recognized as stock-based compensation expense and the fair value of finders' warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital. If the stock options or warrants are not exercised, their value remains in reserves.

13. Share Capital (Continued)

Obligation to issue shares

During the year ended November 30, 2022, the Company recorded an obligation to issue 500,000 shares to the former CEO in lieu of cash for consulting fees totalling $113,250. These 500,000 shares had not been issued as at May 31, 2025 and remain in obligation to issue shares.

14. Financial instruments

Fair value
Cash is carried at fair market value based on quoted market prices in an active market. The carrying value of accounts payable approximate its fair values due to the short-term nature of these financial instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

Cash and investments are measured using level 1 inputs. Biological assets are measured using level 3 inputs. No biological assets exist as at May 31, 2025 and February 28, 2025.

The fair value of the Company's derivative asset is based on level 3 inputs.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk.

The carrying value of the Company's convertible debentures approximates fair value as the liability component was discounted using an estimated market rate. The carrying value of long-term debts where interest is charged at a fixed rate is not significantly different than fair value.

15. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and accounts receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low.

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15. Financial risk and capital management (continued):

The Company provides credit to certain customers in the normal course of operations. Credit risk is generally limited to receivables from customers. The Company's credit risk related to its receivables is moderate. As at May 31, 2025, the Company had no receivable balances past due and the balances were collected subsequent to May 31, 2025. During the year ending February 28, 2025 there was a receivable due from a Company that went into credit protection and the Company had recognized a bad debt expense of $324,074 in that reporting period. The Company has established monitoring processes to mitigate credit risk related to receivables.

	February 28, 2025	February 28, 2025
1- 60 days	1,665,168	1,675,080
Total	1,665,168	1,675,080

$1,644,168 of the receivable balance as at May 31, 2025, was collected subsequent to the period end.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of May 31, 2025, the Company has cash of $3,342,278 (2024 - $3,761,538) to cover short term obligations.

Historically, the Company's source of funding has been through operations, loans from related parties, convertible debentures, preferred share financings and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as moderate.

The Company has the following contractual obligations as at May 31, 2025, which are expected to be payable in the following respective periods:

		Total		≤ 1 year		Over 1 year – 3 years
Accounts payable	$	1,443,956	$	1,443,956	$	-
GST payable		36,969		36,969		-
Loan payable		557,261		234,172		323,089
Lease payable		442,706		258,800		183,906
Convertible debentures		7,216,080		2,802,179		4,413,901
Total	$	9,696,972	$	4,776,076	$	4,920,896

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at May 31, 2025, an equipment purchase loan of $367,458 (2024-$161,871), which bear no interest, convertible debentures of $7,216,080 (2024 - $9,559,111) and a secured loan of $189,803 (2024 – $601,575), which bear fixed interest rates respectively. As such, the Company's interest rate risk is low.

For the 3-month period ended May 31, 2025 and 2024 (Expressed in Canadian Dollars - Unaudited)

15. Financial risk and capital management (continued):

Price risk

Price risk is the risk that the future cash flows of cannabis related derivatives will fluctuate because of changes in market prices. Fluctuation in price will significantly impact the demand for the Company’s products and the Company’s ability to generate cash inflow for its sustainable operation. Sensitivity analysis in Note 4 illustrates the impact of price changes in the fair value of biological assets, which in the end effects the value of the Company’s cannabis related derivatives.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

16. Segment information

Operating segment

The Company operates in a single reportable operating segment –cultivation and production of cannabis related derivatives.

Geographic segment

The Company’s operation is based solely in Canada.

17. Revenue

For the period ended May 31, 2025 and May 31, 2024, the following revenue was recorded from wholesale customers that comprise 10% or more of revenue:

	May 31, 2025	**May 31, 2024**
Customer A	47%	62%
Customer B	10%	14%

18. Deferred revenue

Deferred revenue represent customer payments received for goods and services to be provided subsequent to the reporting date. Changes in contract liabilities for the period ended May 31, 2025 and February 28, 2025 are as follows:

	May 31, 2025	**February 28, 2025**
Deferred revenue beginning of period	-	-
Revenue recognized that was included in the contract liability balance at the beginning of the period	-	-
Amounts received for which revenue is unearned	322,682	777,351
Deferred revenue, end of period	322,682	777,351

The Company expects to collect $322,682 in deferred revenue within 6 months.

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19. Derivative asset

The Company has a prepayment privilege pursuant to two convertible debentures (note 9) whereby it can prepay the principal amount of the debentures by giving notice to the debenture holders. However, the debenture holders have the right to require the Company to settle the amount in shares rather than cash, provided they do so within two days of the prepayment notice. This gives rise to a derivative asset as it effectively gives the Company the right to require early conversion or pay cash.

The derivative asset was determined using a model based on the paper by K. Tsiveriotis and C. Fernandes that determined the fair value of the convertible debenture with the prepayment feature and comparing it to one without the prepayment feature. The fair value was determined is based on level 3 inputs of the fair value hierarchy.

	At inception
Fair value of prepayment feature of the convertible debenture at inception	1,407,243
Change in fair value	(357,760)
Fair value at May 31, 2025	1,049,483

The following assumptions were used in determining the fair value:

	At inception	**At February 28, 2025**
Discount	20.00%	22.50%
Volatility	100%	100%
Term	60 months	48 months

Sensitivity analysis derivative asset as at February 28, 2025			
	Fair value	**Baseline**	**Change**
+5% discount rate	347,987	410,204	(62,217)
-5% discount rate	451,847	410,204	41,643
+5% volatility	436,819	410,204	26,615
-5% volatility	383,637	410,204	(26,567)