Trees Corporation

Interim Condensed Consolidated Financial Statements

For the three and six months ended September 30, 2023 and 2022

(Unaudited)

(Expressed in Canadian Dollars)

Commitments and Contingencies (Note 19)

TREES CORPORATION

Interim Condensed Consolidated Statements of Financial Position

(unaudited, expressed in Canadian dollars)
As at

	Notes	**September 30, 2023**	March 31, 2023
Assets		**$**	$
Current assets			
Cash		**280,403**	113,605
Trade and other receivables		**100,210**	82,831
Inventory	*7*	**648,395**	299,725
Prepaid expenses		**18,004**	25,361
Total current assets		**1,047,012**	521,522
Non-current assets			
Property and equipment	*8*	**4,546,647**	2,731,590
Prepaid lease deposits and rents	*5*	**248,543**	177,764
Notes receivable	*6*	**-**	2,543,912
Right-of-use assets, net	*11*	**4,550,046**	3,918,783
Intangible assets	*9*	**1,989,954**	1,530,113
Total non-current assets		**11,335,190**	10,902,163
Total assets		**12,382,202**	11,423,685
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**2,823,038**	2,024,615
Current portion of lease liability	*11*	**830,292**	512,615
Current portion of long-term debt	*13*	**1,340,721**	1,279,489
Shareholder loans	*15*	**1,878,889**	1,808,106
Total current liabilities		**6,872,941**	5,624,825
Non-current liabilities			
Lease liability	*11*	**4,121,741**	3,804,371
Long-term debt	*13*	**1,160,000**	1,160,000
Convertible debt	*14*	**1,305,175**	1,073,630
Total non-current liabilities		**6,586,916**	6,038,001
Total liabilities		**13,459,857**	11,662,826
Shareholders' equity			
Share capital	*16*	**35,811,925**	35,419,666
Contributed surplus	*17*	**3,441,567**	3,475,994
Deficit		**(40,331,146)**	(39,134,800)
Total shareholders' deficiency		**(1,077,654)**	(239,141)
Total liabilities and shareholders' equity		**12,382,202**	11,423,685

Subsequent Events (Note 23)

Approved on Behalf of the Board of Directors

*(signed) "*Fraser Clarke*"*	*(signed) "Jeff Holmgren"*
Fraser Clarke	Jeff Holmgren
Director	Director
November 14, 2023	November 14, 2023

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TREES CORPORATION

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(unaudited, expressed in Canadian dollars)

		Three Months Ended		Six Months Ended	
	Notes	**30-Sep-23**	30-Sep-22	**30-Sep-23**	30-Sep-22
		$	$	**$**	$
Revenue					
Cannabis sales		**4,387,845**	2,490,597	**8,436,486**	4,456,937
Smoking accessory sales		**30,357**	43,824	**77,596**	71,483
Other revenue	*22*	**139,724**	105,214	**206,185**	210,428
Gross revenue		**4,557,926**	2,639,635	**8,720,267**	4,738,848
Cost of goods sold		**2,958,531**	1,733,907	**5,709,096**	3,131,849
Gross margin		**1,599,395**	905,728	**3,011,171**	1,606,999
Store level expenses					
Wages expense		**446,021**	381,262	**861,389**	504,773
Operating costs		**588,088**	153,845	**1,195,310**	290,278
Total store level expenses		**1,034,109**	535,107	**2,056,700**	795,051
Net margin/(loss)		**565,286**	370,621	**954,471**	811,948
Corporate expenses					
Lease expense		**32,164**	17,999	**61,629**	115,155
Amortization and depreciation	*12*	**498,479**	391,825	**948,472**	802,718
General and administrative expenses		**436,783**	345,595	**593,026**	1,293,573
Lease write-downs and termination expenses		**-**	(17,006)	**-**	9,201
Impairment of property and equipment	*8*	**60,344**	-	**60,344**	-
Total corporate expenses		**1,027,770**	738,413	**1,663,471**	2,220,647
Loss before other items		**(462,484)**	(367,792)	**(708,999)**	(1,408,699)
Other (income) expenses					
Finance costs	*10*	**216,672**	268,601	**432,614**	422,472
Interest income		**-**	(62,246)	**-**	(120,572)
Transaction costs		**4,900**	42,066	**4,900**	117,437
Gain on debt settlements	*16*	**-**	148,200	**42,130**	(460,566)
Share based compensation	*16, 17*	**(43,355)**	170,686	**7,703**	325,984
Loss before income taxes		**(640,701)**	(935,100)	**(1,196,346)**	(1,693,454)
Deferred income tax recovery		**-**	-	**-**	(68,476)
Net loss and comprehensive loss		**(640,701)**	(935,100)	**(1,196,346)**	(1,624,978)
Loss per share					
Basic & diluted		**(0.0032)**	(0.0100)	**(0.0059)**	(0.0114)
Weighted-average number of shares outstanding		**201,848,825**	159,340,492	**201,848,825**	143,067,815

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TREES CORPORATION

Interim Condensed Consolidated Statements of Cash Flows

(unaudited, expressed in Canadian dollars)

	Notes	**Six Months Ended 30-Sep-23**	Six Months Ended 30-Sep-22
Cash provided by (used in):		**$**	$
Operating activities			
Net loss for the period		**(1,196,346)**	(1,624,978)
Add (deduct) items not affecting cash:			
Amortization and depreciation	*12*	**948,472**	802,718
Deferred income tax recovery		**-**	(68,476)
Finance costs	*10*	**188,560**	136,798
Share-based compensation	*16, 17*	**7,703**	343,984
Impairment of property and equipment	*8*	**60,344**	-
Loss (gain) on debt settlements and modifications		**42,130**	(460,566)
Lease write-downs and termination expenses		**-**	9,201
		50,863	(861,319)
Change in non-cash working capital	*18*	**144,653**	191,458
Cash flow used in operating activities		**195,516**	(669,861)
Investing activities			
Property and equipment		**(7,719)**	(37,450)
Intangible assets and goodwill		**(3,700)**	-
Corporate acquisitions and reorganizations	*4*	**4,001**	(6,749)
Refunds/(deposits) on leases		**-**	17,892
Notes receivable		**(114,388)**	(342,800)
Cash flow provided by (used in) investing activities		**(121,806)**	(369,107)
Financing activities			
Proceeds from issuance of shares	*16*	**250,000**	1,025,000
Share issue costs	*16*	**-**	(37,445)
Lease liability payments		**(301,912)**	(34,932)
Long-term debt		**-**	(47,957)
Proceeds from issuance of convertible debt		**145,000**	-
Shareholder loans		**-**	185,000
Cash flow provided by financing activities		**93,088**	1,089,667
Net change in cash for the period		**166,798**	50,699
Cash, beginning of the period		**113,605**	210,333
Cash, end of the period		**280,403**	261,032

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

TREES CORPORATION

Interim Condensed Consolidated Statements of Shareholders' Deficiency

For the six months ended September 30, 2023 and fifteen months ended March 31, 2023
(unaudited, expressed in Canadian dollars)

	Notes	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Equity (Deficiency)**
		$	**$**	**$**	**$**
Balance at December 31, 2021		32,440,717	2,506,664	(26,656,539)	8,290,842
Net loss		-	-	(12,478,262)	(12,478,262)
Acquisition of IPCo		266,999	-	-	266,999
Common Shares issued pursuant to Miraculo Acquisition		818,395	-	-	818,395
Warrants issued and conversion option	*14, 16*	-	413,027	-	413,027
Shared-based compensation	*16*	-	556,302	-	556,302
Shares issued and to be issued on settlement of debt		951,000	-	-	951,000
Shares issued in a private placement		1,025,000	-	-	1,025,000
Shared issued for services		74,000	-	-	74,000
Share issue costs		(156,445)	-	-	(156,445)
Balance at March 31, 2023		35,419,666	3,475,994	(39,134,800)	(239,141)
Net loss		-	-	(1,196,346)	(1,196,346)
Shares issued	*16*	58,000	-	-	58,000
Conversion of warrants	*16*	334,259	(84,259)	-	250,000
Incentive shares	*16*		42,130		42,130
Shared-based compensation	*16*	-	7,703	-	7,703
Balance at September 30, 2023		**35,811,925**	**3,441,567**	**(40,331,146)**	**(1,077,654)**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Corporate Information

Trees Corporation ("Trees", and, together with its subsidiaries, the "Company") was formed upon the amalgamation of Trees Corporation ("Trees PrivateCo") and 1287406 B.C. Ltd. ("406") on December 22, 2021 under the Canada Business Corporations Act (the "CBCA") pursuant to the terms of an amended and restated amalgamation agreement dated November 10, 2021 (the "406 Amalgamation Agreement"). The 406 Amalgamation Agreement provided for, among other things, the amalgamation of Trees PrivateCo and 406 and the continuation as one corporation under the name Trees Corporation (the "406 Amalgamation"), in accordance with the provisions of the CBCA. The Company's common shares ("Common Shares") are listed on the Cboe under the symbol "CBOE:TREE".

The Company's head office is located at suite 190-7070e Farrell Road SE Calgary, Alberta T2H 0T2 and its registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

Trees is as an independent retail cannabis operator that currently operates in the Provinces of Ontario and British Columbia, where as at March 31, 2023, Trees operated eight (8) fully licensed retail cannabis stores in Ontario and five (5) Trees Cannabis stores in British Columbia under a brand license agreement in exchange for a royalty fee. On April 11, 2023, the Company closed the previously announced acquisition of 5 stores in BC and opened a ninth store in Ontario increasing Trees' total corporate owned store count to 14 stores as of the date of these financial statements (refer to Note 4). Trees reports its operations under a single operating segment capturing retail sales of cannabis and cannabis related accessories. Refer to note 23 – subsequent events.

All disclosures related to Common Shares of the Company in these interim condensed consolidated financial statements and related notes give retroactive effect to the 2021 fifteen pre-consolidation shares for every one post-consolidation share consolidation of Trees PrivateCo.

***Announcement of Business* Combination with 420 Investments Inc.**

On July 12, 2023, the Company entered into a business combination agreement (the "Business Combination Agreement" or "BCA)) with 420 Investments Ltd. ("420"), a private arm's length company incorporated under the Business Corporations Act (Alberta), pursuant to which the Company and 420 are to amalgamate, constituting a reverse takeover of the Company by 420 under the policies of the Cboe (the "BCA Transaction"). 420 intends to conduct a brokered private placement financing of subscription receipts ("Subscription Receipts"), led by one or more agents, to be completed prior to the closing of the BCA Transaction (the "Concurrent Financing").

The amalgamated company resulting from the completion of the BCA Transaction (the "Resulting Issuer") is to be named "420 Investments Ltd." or such other name as directed by 420. Subject to the approval of the Cboe, the Common Shares of the Resulting Issuer (the "Resulting Issuer Shares") are to trade on the Cboe under a new trading symbol to be determined by 420. Concurrently with the execution of the Business Combination Agreement, the directors, officers and certain significant shareholders of each of the Company and 420 have entered into support agreements, pursuant to which such parties have agreed to vote in favour of the BCA Transaction at the meetings of the shareholders of the Company and 420, respectively.

Prior to the closing of the BCA Transaction and subject to obtaining the required approval of the shareholders of the Company, the Common Shares are to be consolidated on such ratio as is required for the shareholders of the Company to hold 20.65% and the shareholders of 420 to hold 79.35% of the issued and outstanding Resulting Issuer Shares immediately following the closing of the BCA Transaction.

Subsequent to September 30, 2023, on November 2, 2023, 420 unilaterally terminated the business combination agreement. The Company reserves all of its rights against 420 with regard to the unilateral termination by 420 of the BCA. Refer to Note 23 – Subsequent Events for further detail.

2. Basis of Presentation and Going Concern

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Except as described herein, the Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements of the Company for the fifteen months ended March 31, 2023, which should be read in conjunction with these interim condensed consolidated financial statements. The accounting policies have been applied consistently by the Company for the periods presented. Effective January 1, 2023, the Company adopted the amendments to IAS 1 requiring entities to disclose their material accounting policy information, instead of significant accounting policies.

The preparation of these interim condensed consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Except as disclosed herein, the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these interim condensed consolidated financial statements are unchanged from those disclosed in the annual consolidated financial statements of the Company for the fifteen months ended March 31, 2023. Actual results may differ from these estimates.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. The interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

These interim condensed consolidated financial statements were approved by the Board of Directors on November 14, 2023.

Going concern

During the six months ended September 30, 2023, the Company recorded positive cashflow from operations of $195,516 and anticipates ongoing positive operating cashflows barring unforeseen changes or circumstances in its current operations. These interim condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Although cashflow from operations for the six months ended September 30, 2023 is positive, the Company has incurred a net loss from operations for the same period of $1.2 million (net loss of $12.5 million for the fifteen-month period ended March 31, 2023) and as at that date had an accumulated deficit of $40.3 million (March 31, 2023 - $39.1 million). However, the Company anticipates a transition to positive net earnings in the remaining six month period ending March 31 2024. At September 30, 2023, the Company had a working capital deficiency of $5.8 million (March 31, 2023 - $5.1 million deficiency). A debt in the amount of $900,000 is now in default and the Company is currently in discussions to extend the maturity of this debt (see note 12 – long term debt). Please refer to note 23 – Subsequent events. The Company will continue to have to raise funds in order to meet its debt repayment and interest obligations until such time as sufficient profitable revenues are achieved. Although the Company has been successful in raising capital in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's obligations. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis. No adjustments to the carrying values of the assets and liabilities have been made in these interim condensed consolidated financial statements.

3. Recent Accounting Pronouncements and Changes to Accounting Policies

Effective April 1, 2023, the Company adopted the following new accounting pronouncements. The impact of adoption was not material to these interim condensed consolidated financial statements.

• In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or noncurrent. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

• In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8).* The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies.

• In February 2021, the IASB issued Disclosure of *Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).* The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies.

(unaudited, expressed in Canadian dollars)

• In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments narrow the scope of the recognition exemption so that companies would be required to recognize deferred tax for transactions that give rise to equal amounts of taxable and deductible temporary differences, such as leases.

4. Acquisitions

a) Acquisition of BC Stores

On April 11, 2023 the Company closed its previously disclosed transaction with 1015712 B.C. Ltd. d/b/a Trees Cannabis ("**101**") for the acquisition of 5 operating stores on Vancouver Island, British Columbia ("BC Stores").

The previously announced 101 transaction was pending approval from the British Columbia Liquor and Cannabis Regulation Branch (the "**LCRB**") on all five stores, the last of which has now been received, granting the Company a license to operate cannabis retail stores in the province.

BC Stores contributed $3.0 million of revenue and 0.2 million of income before tax from the closing date of the BC Stores Acquisition to September 30, 2023. If the acquisition occurred on April 1, 2023, BC Stores would have contributed $3.2 million of revenue and $0.2 million of income before tax for the six months ended September 30, 2023.

The BC Stores Acquisition meets the definition of a business combination under IFRS 3 and has been accounted for as a corporate acquisition. Management is in the process of gathering the relevant information that existed at the date of closing of the BC Stores Acquisition to determine the fair value of the net identifiable assets acquired.

The consideration received pursuant to the BC Stores Acquisition was the fair value of the 101 Note (refer to Note 6), which approximated its carrying value at the date of acquisition. The value of the net assets acquired was provisionally estimated at the acquisition date as follow:

Fair value of 101 Note	$2,744,997
Total consideration	**$2,744,997**
Cash	$4,001
Inventory	$153,900
Prepaid lease deposits	$70,779
Intangible assets	$770,449
Right-of-use asset	$936,959
Property and equipment	$2,196,151
Accounts payable	($434,148)
Lease liability	($936,959)
GST Payable	($16,135)
Net assets acquired	**$2,744,997**

5. Prepaid lease deposits and rents

	Lease Deposits
	$
Balance at December 31, 2021	248,875
Write-down	(33,444)
Camp Acquisition (Note 4)	17,892
Deposit utilization	(55,559)
Balance at March 31, 2023	177,764
Acquisition of BC Stores (Note 4)	79,779
Balance at September 30, 2023	**248,543**

The Company records deposits paid in accordance with conditional lease agreements and binding lease agreements, which are typically utilized as payment of rent for the first and last month of the lease term. Lease write-downs are recorded for forfeiture of non-refundable deposits paid in accordance with conditional lease agreements that the Company has elected to terminate during the period.

6. Notes Receivable

	September 30, 2023	March 31, 2023
	$	$
101 Note	-	2,543,912
	-	2,543,912
Note receivable - current	-	-
Note receivable – long term	-	2,543,912

On February 10, 2021, in connection with the 101 Acquisition, 101 issued the 101 Note in favour of the Company for the purpose of funding 101's operations until the closing of the 101 Acquisition. The outstanding principal amount of the 101 Note bore interest at the rate of 8.5% per annum. The 101 Note matured and was settled on the date of closing of the Acquisition of BC Stores (Note 4).

7. Inventory

	September 30, 2023	March 31, 2023
	$	$
Cannabis	**623,807**	284,284
Cannabis accessories	**24,588**	15,441
Total inventory	**648,395**	299,725

Inventory relates to cannabis and cannabis accessories that are anticipated to be sold within the next 12 months.

8. Property and Equipment

	Leasehold improvements	**Furniture & fixtures**	**Technology equipment**	**Total**
Cost - balance at December 31, 2021	3,454,821	38,087	206,586	3,699,493
Additions	39,228	6,148	12,562	57,937
Camp Acquisition	409,477	4,043	40,479	453,998
Impairment	(190,156)	-	(3,400)	(193,556)
Cost - balance at March 31, 2023	3,713,370	48,277	256,226	4,017,873
Additions	5,004	2,715	-	7,719
Impairment	(60,344)	-	-	(60,344)
Acquisition of BC Stores (Note 4)	2,196,151	-	-	2,196,151
Cost - balance at September 30, 2023	5,854,180	50,992	256,226	6,161,398
Accumulated depreciation – balance at December 31, 2021	(397,723)	(18,079)	(49,474)	(465,276)
Depreciation expense	(752,676)	(265)	(68,066)	(821,007)
Accumulated depreciation – balance at March 31, 2023	(1,150,399)	(18,344)	(117,540)	(1,286,283)
Depreciation expense	(305,115)	(3,137)	(20,216)	(328,468)
Adjustments	(3,677)	(38,088)	41,765	-
Accumulated depreciation – balance at September 30, 2023	(1,459,191)	(59,569)	(95,991)	(1,614,751)
Net book value				
March 31, 2023	2,562,971	29,934	138,686	2,731,590
September 30, 2023	**4,394,989**	**(8,576)**	**160,235**	**4,546,647**

The bulk of capital assets of the Company relate to investments in store design and construction. Depreciation of capital costs associated with each retail store begins on the first day of store operations.

During the six months ended September 30, 2023, the Company recorded an impairment charge of $60,344 related to leasehold improvements for a non-operational lease of which the lease was terminated.

9. Intangible Assets

	Business License	Intellectual Property and Other	Total
Balance at December 31, 2021	849,738	13,808	863,546
Acquisition of IPCo	-	266,999	266,999
Miraculo Acquisition	-	525,492	525,492
Camp Acquisition	356,758	-	356,758
Write off of Miraculo Intangibles	-	(467,010)	(467,010)
Participation Agreement	-	724,145	724,145
Amortization	(640,252)	(99,566)	(739,818)
Balance at March 31, 2023	566,244	963,869	1,530,113
Acquisition of BC Stores (Note 4)	774,149	-	774,149
Amortization	(302,859)	(11,448)	(314,308)
Balance at September 30, 2023	**1,037,534**	**952,420**	**1,989,954**

For the six months ended September 30, 2023, an amortization charge of $302,859 and $11,448 was recorded on the Company's business license, and intellectual property and other assets, respectively.

On April 11, 2023, the Company completed the Acquisition of BC Stores, resulting in the recognition of $774,149 of intangible value of business licenses. Refer to Note 4 for additional details on the Acquisition of BC Stores. The intangibles are amortized over the remaining life of the underlying store lease agreements.

On December 9, 2022 the Company entered into a Participation agreement with an arms-length party, and recognized a related intangible value of $724,145. Refer to note 13 – long term debt for details on the nature of this agreement.

10. Finance Costs

Finance costs are comprised of the following:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	**Six Months Ended September 30, 2023**	Six Months Ended September 30, 2022
Accretion of lease liability (Note 11)	**82,649**	174,241	**183,550**	250,756
Interest on debt and shareholder loans (Notes 13,14,15)	**134,023**	94,360	**249,064**	171,715
Total	**216,672**	268,601	**432,614**	422,471

11. Right-of-Use Asset and Lease Liability

Right-of-Use Asset

Balance at December 31, 2021	5,940,273
Terminations	(2,137,865)
Lease addition from Camp Acquisition	669,626
Depreciation expense for the period	(553,251)
Balance at March 31, 2023	**3,918,783**
Lease addition from Acquisition of BC Stores (Note 4)	**936,959**
Depreciation expense for the period	**(305,696)**
Balance at September 30, 2023	**4,550,046**

Lease Liability

Balance at December 31, 2021	6,192,103
Terminations	(2,265,966)
Lease addition from Camp Acquisition	757,431
Lease payments	(812,653)
Interest (finance costs)	446,071
Balance at March 31, 2023	4,316,986
Current portion of lease liability	512,615
Non-current portion of lease liability	3,804,371
Lease payments	**(485,462)**
Lease addition from Acquisition of BC Stores (Note 4)	**936,959**
Interest (finance costs) (Note 10)	**183,550**
Balance at September 30, 2023	**4,952,033**
Current portion of lease liability	**830,292**
Non-current portion of lease liability	**4,121,741**

For the six months ended September 30, 2023, the Company recognized $61,628 (six months ended September 30, 2022 – $115,155) of rent expenses related to short-term leases in the interim condensed consolidated statements of loss and comprehensive loss. Short-term leases relate to non-operational short-term conditional lease agreements.

The following is a summary of the contractual undiscounted cash outflows for lease obligations:

	As at September 30, 2023
	$
Less than one year	1,056,822
Between one and five years	3,557,478
Greater than five years	2,715,214
Total	7,329,514

12. Amortization and Depreciation

Amortization and depreciation costs are comprised of the following:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	**Six Months Ended September 30, 2023**	Six Months Ended September 30, 2022
Property and equipment depreciation (Note 8)	**167,957**	119,925	**328,468**	279,570
Intangible asset amortization (Note 9)	**177,673**	165,787	**314,308**	326,799
Right-of-use asset depreciation (Note 11)	**152,849**	106,114	**305,696**	196,350
Total	**498,479**	391,826	**948,472**	802,719

13. Long-Term Debt

Changes in Long-term debt during the following periods;

	Six Months Ended September 30, 2023	**Fifteen Months Ended March 31, 2023**
Balance, beginning of period	**2,439,489**	2,301,544
Additions	-	106,483
Repayments	-	(86,027)

Non-cash debt settlements	-	(1,052,000)
Interest	**61,232**	169,489
Participation Agreement liability	-	1,000,000
Balance, end of period	**2,500,721**	2,439,489
Government relief	**160,000**	160,000
September 2021 Debentures (note 14)	**440,721**	379,489
Licensed producer	**900,000**	900,000
Participation agreement liability	**1,000,000**	1,000,000
Balance, end of period	**2,500,721**	2,439,489
Current portion of long-term debt	**1,340,721**	1,279,489
Non-current portion of long-term debt	**1,160,000**	1,160,000

Licensed Producer: The Company received debt funding from a Canadian licensed cannabis producer (the "Licensed Producer") for the purpose of constructing and opening stores in the province of Ontario. The debt is a first secured loan by way of a general collateral agreement over all of the Company's operating assets. Each tranche of debt funding has a term of three years, is callable on the first anniversary of its issuance, and accrues interest at a rate of 8.5% per annum. As at September 30, 2023 the balance outstanding on the debt was $900,000. The loan matured in equal installments of $300,000 on each March 17, 2023, May 29, 2023, and June 24, 2023 and is in default. The Company is currently in discussions with the Licensed Producer to extend the maturity of this debt.

Government Relief: During 2020, the Company received a $60,000 government assistance COVID-19 loan to provide working capital support through the COVID-19 crisis. The loan is an extendible revolving facility, with any outstanding balance convertible to a reducing term facility on December 31, 2020. If the Company repays the loan in full on or before December 31, 2023, it shall be entitled to a credit in the amount of 25% of the converted loan balance. If the loan is not repaid in full on or before December 31, 2023, the Company may extend the term from January 1, 2024 to December 31, 2025. Monthly interest payments commence on any unpaid balance beginning on January 1, 2024 at a rate of 5.0% per annum. In connection with the OCH Amalgamation, the Company assumed $60,000 government assistance COVID-19 loan on the same terms. In connection with the Miraculo acquisition, the Company assumed $40,000 government assistance COVID-19 loan on the same terms. As at September 30, 2023 the aggregate balance outstanding was $160,000 from all three loans.

Participation Agreement Liability: The Company entered into a Participation Agreement on December 9, 2022 and recognized a related obligation measured at $1.0 million. The liability provides for Participating Interest payments from the Company's Retail Locations, calculated and accrued on a calendar monthly basis with the first payment to be made upon the later of (a) 30 days following the end of the first calendar month that is six months from the Closing Date, or (b) 30 days following the end of the first calendar month upon achievement of three (3) consecutive months of corporate Adjusted EBITDA of $50,000 or greater. The agreement further provides that, in the event of a change of control, the Company is required at the time of the change of control to repurchase the Participating Interest for the aggregate Mandatory Repayment Price of $1.0 million, which at the election of 10003, may be settled in cash or Common Shares of the Company. The Company has recognized the obligation to make payments under this agreement on the interim condensed consolidated balance sheet as at September 30, 2023, as a non-current financial liability initially measured at $1.0 million. The Company subsequently measures the liability at amortized cost and will record Participating Interest payments as finance charges in the interim condensed consolidated statements of loss and comprehensive loss.

14. Convertible Debt

As at	**September 30, 2023**	March 31, 2023
Camp Debenture	**180,000**	180,000
Aug'23 Promissory Notes	**175,000**	-
November 2022 Secured Convertible Debentures	**950,175**	893,630
Convertible debt	**1,305,175**	1,073,630

September 2021 Debentures (principal value $1.2 million): On September 10, 2021, October 28, 2021, and November 5, 2021, the Company closed private placements of 58.8% per year secured convertible debentures (the "September 2021 Debentures") for aggregate gross proceeds of $710,000. $500,000 of the face value of the September 2021 Debentures were converted to Common Shares upon the completion of the 406 Amalgamation. September 2021 Debentures with a face value of $210,000 were not converted and are no longer eligible to be converted and have therefore been reclassified as long-term debt. The unconverted portion of the September 2021 Debentures mature on the two-year anniversary of the date of issuance. The Company has the right, but not the obligation, to elect to prepay the principal amount and all accrued interest thereon up to a date of prepayment determined by the Company at any time, in the Company's sole discretion. The principal amount of $210,000 along with accrued interest in the amount of $230,721 are due in November of 2023 and are included in the current portion of long-term debt on the interim condensed consolidated statement of financial position as of September 30, 2023.

Camp Debenture (principal value $0.2 million): In connection with the Camp Acquisition, the Company issued the Camp Debenture in the amount of $180,000. The Camp Debenture bears interest at 7.5% per annum compounding annually, payable monthly in cash, matures on the second anniversary of the closing date, and allows for the principal owing thereunder to be convertible into Common Shares in the capital of Trees ("Debenture Shares") at the option of the holder, no sooner than July 13, 2023 (the first anniversary of the closing date), at a conversion price being the greater of (X) $0.15 per share, and (Y) the closing price of Trees' Common Shares at the close of trading on the date prior to the conversion date, less a 10% discount.

November 2022 Secured Convertible Debentures (principal value $0.9 million): On October 21, 2022 and November 28, 2022 the Company completed the closing of a non-brokered private placement (the "November 2022 Convertible Debenture Financing") of 200 and 745 units ("Nov Units"), respectively, of the Company at a price of $1,000 per Nov Unit for gross proceeds of $945,000. Each Nov Unit consists of (i) one 12.0% per annum secured convertible promissory note bearing a principal amount of $1,000 (each, a "Nov Convertible Note"), convertible into Common Shares of the Company at a conversion price of $0.015 per common share (the "Nov Conversion Price") and maturing thirty-six (36) months from the closing of the November 2022 Convertible Debenture Financing; and (ii) 66,667 common share purchase warrants of the Company (each, a "Nov Warrant"). Each Nov Warrant entitles the holder thereof to purchase one common share at a price of $0.015 per share until October 20, 2025, subject to Acceleration. If, during the term of the November 2022 Convertible Debentures, the volume weighted-average share price of the Common Shares on the Neo Exchange Inc. (the "NEO") for twenty (20) consecutive trading days equals or exceeds $0.06, the Company may, upon 30 days' prior notice, convert the Nov Convertible Notes into Common Shares at the conversion price of $0.015 (subject to customary adjustments), in whole or in part. In the event that the volume-weighted average price of the Common Shares on the NEO for twenty (20) consecutive trading days equals or exceeds $0.06, the Company may, upon 30 days' prior notice, accelerate the expiry of the Nov Warrants to a date that is 30 days from the date of the notice (the "Acceleration"). The Company has accrued interest of $106,115 to September 30, 2023.

For accounting purposes, the November 2022 Convertible Debentures were separated into their liability and equity components ($785,750 and $159,250 respectively) by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debentures assuming a 20% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (both the conversion feature and the detachable warrants) was determined at the time of issue as the difference between the face value of the November 2022 Convertible Debentures and the fair value of the liability component.

On January 3, 2023, the Company granted $60,000 of Convertible Debentures on the same terms and conditions as the November 2022 Convertible Debenture Financing, to executives of the Company in recognition of their services to the Company. The equity $10,110 and $49,890 respectively) were calculated using the methodology described above.

Aug'23 Promissory Notes (principal value $175,000): On August 18, 2023, the Company issued promissory notes (the "Aug'23 Promissory Notes") in the aggregate amount of $175,000. $145,000 of the issuance was to arms-length lenders and $30,000 was issued to an executive of the Company in lieu of salary. The Aug'23 Promissory Notes accrue interest at the rate of 15% per annum, and is payable without penalty at any time by the Company, with maturity being the earlier of August 18, 2025 or such date on which a Change of Control of the Company occurs where change of control is defined as: (i) a transaction or series of related transaction in which a person, or a group of related persons, acquires common shares in the capital of the Company representing more than 50% of the outstanding voting power of the Company, or (ii) a sale of all or substantially all of the assets of the Company ("Change of Control"). If a Change of Control of the Company does not occur prior to August 18, 2025, all outstanding obligations of the Aug'23 Promissory Notes shall be payable in cash on the maturity date. If, prior to August 18, 2025, a Change of Control of the Company occurs, the Aug'23 Promissory Notes will be automatically converted into common shares at an amount equal to: (i) 150% of the then outstanding principal amount, plus (ii) all accrued and unpaid interest outstanding as at the date of the Change of Control; with the price per common share to be determined at the time of the occurrence of the Change of Control. The principal balance of the Aug'23 Promissory Notes and accrued interest has been classified as a long-term debt on the Statements of Financial Position.

15. Shareholders Loans

On December 31, 2019, certain shareholders of the Company provided short-term bridge financing arrangements to the Company in the amount of $270,000 and a further $650,000 during the twelve months ended December 31, 2020, for a total of $920,000. These shareholder loans accrue interest at 10% per annum. Shareholder loans are subordinate to long-term debt funding provided by the Licensed Producer (Note 13 – *Long Term Debt*). No repayments of shareholder loans or accruing interest was permitted prior to June 1, 2021 unless the debt provided by the Licensed Producer and related accruing interest were repaid in full. On December 31, 2021, the repayment terms of the loans were amended to provide that all unpaid principal amounts together with accrued and unpaid interest thereon would become immediately due and payable on the earlier of (i) January 1, 2023; (ii) upon the occurrence of an Event of Default (as defined therein); or (iii) upon the closing of a Change of Control. The amount of the loans including accrued interest as at September 30, 2023 is $1,288,651.

On January 29, 2021, the Company and Ontario Cannabis Holdings Corp. ("OCH") entered into a merger agreement (the "OCH Amalgamation"), whereby the Company assumed loans from shareholders in the amount of $409,960 to fund operating and capital expenditures during the development phase of the business. The shareholder loans accrue interest at a rate of 8% per annum and were to mature on January 1, 2023 subject to extension by mutual agreement. The amount of the loans including accrued interest as at September 30, 2023 is $510,812.

The above shareholder loans in the aggregate amount of $1,799,463 as of September 30, 2023, became due and payable on January 1, 2023 however extension to the maturity date to November 14, 2023 was granted in connection with the Business Combination Agreement with 420. Refer to Note 23 – Subsequent Events. The loans, along with accrued interest, are classified as current liabilities on the interim condensed consolidated statements of financial position at September 30, 2023.

In 2021, the Company obtained loans from a director in the amount of $65,000 and has accrued interest totalling $16,029 to September 30, 2023. The loans bear interest at 10% per annum and are due on demand.

During the three months ended September 30, 2022, certain shareholders of the Company provided $185,000 in bridge financing loans, bearing interest at 12% per annum, which were repaid through the issuance of units of the November 2022 Convertible Debenture placement (refer to note 14 – *Convertible Debt*).

Composition of Shareholder loans:

	September 30, 2023	March 31, 2023
	$	$
Shareholders individually holding less than 5% shares in the Company	**1,878,889**	1,808,106
Total debt	**1,878,889**	1,808,106
Debt – current portion	**1,878,889**	1,808,106

16. Share Capital

(a) Authorized Common Shares

The Company is authorized to issue an unlimited number of Common Shares with no par value. As of September 30, there were 201,848,825 Common Shares issued and outstanding.

The holders of Common Shares are entitled to the following: (i) one vote per Common Share at meetings of shareholders of the Company; (ii) dividends as and when declared by the Board, and, (iii) upon liquidation, to receive such assets of the Company as are distributable to the holders of Common Shares after payment of the Company's creditors.

Common shares, issued and outstanding

	Six Months Ended September 30, 2023		Fifteen Months Ended March 31, 2023	
	Number of Shares (#)	Amount ($)	Number of Shares (#)	Amount ($)
Balance, beginning of period	**162,715,492**	**35,419,666**	82,733,911	32,440,717
Issued pursuant to the acquisition of IPCo	-	-	5,933,333	266,999
Issued pursuant to Miraculo Acquisition	-	-	13,639,917	818,395
Issued pursuant to a private placement	-	-	34,166,665	1,025,000
Issued pursuant to the settlement of debt	**5,800,000**	**58,000**	20,400,000	816,000
Issued for services	-	-	2,466,666	74,000
Issued pursuant to settlement of liabilities	-	-	3,375,000	135,000
Issued pursuant to the exercise of warrants	**33,333,333**	**334,259**	-	-
Share issue costs	-	-	-	(156,445)
Balance, end of period	**201,848,825**	**35,811,925**	162,715,492	35,419,666

a) On April 5, 2023, the Company settled a debt with an arms length service provider in the amount of $58,000 in exchange for 5,800,000 Common Shares.

b) On April 5, 2023, 16,666,666 of the warrants issued pursuant to the November'22 Financing were exercised for 16,666,666 Common Shares for gross proceeds of $250,000. The Company provided an additional incentive share for each warrant converted, resulting in an additional 16,666,666 Common Shares being granted, combined a total of 33,333,333 commons shares were issued in connection with the early exercise of these warrants. The incentive shares were assigned a value of $42,130 and were accounted for as a debt modification, resulting in a charge of $42,130 on the interim condensed consolidated statement of comprehensive loss for the six months ended September 30, 2023. Valuation was determined on the same basis as the valuation of the Nov Warrants (refer to Note 14 above).

(b) Share Purchase Warrants

The following table summarizes the outstanding Share Purchase Warrants and activity:

	Number of warrants (#)	Weighted-Average Exercise Price ($)
	-	-
Warrants issued pursuant to Miraculo Acquisition(1)	**6,819,922**	**0.11**
Warrants issued pursuant to May'22 Financing(2)	**17,083,333**	**0.05**
Warrants issued pursuant to contract services(3)	**300,000**	**0.05**
Warrants issued pursuant to November'22 Financing(4)	**46,333,334**	**0.015**
Warrants issued pursuant to November'22 Financing(5)	**4,000,000**	**0.015**
Balance, September 30, 2023	**74,536,589**	**0.032**

(1) On March 15, 2022, in conjunction with the closing of the Miraculo Acquisition, the Company issued 6,819,922 warrants to purchase Common Shares exercisable at a price of $0.11 per share until December 31, 2024. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.8 years; expected volatility of 100%; and risk-free interest rate of 1.82%.

(2) On May 6, 2022 the Company completed the closing of a non-brokered private placement (the "May 2022 Financing") of 34,166,665 units ("May Units") of the Company at a price of $0.03 per May Unit for gross proceeds of approximately $1,025,000. Each May Unit is comprised of one common share (each, a "Common Share") and one-half of one common share purchase warrant (each whole warrant, (a "May Warrant") of the Company. Each May Warrant entitles the holder thereof to purchase one Common Share at a price of $0.05 per Common Share for a period of two years from the date of issuance, subject to an accelerated expiry date at the option of the Company in the event that the closing price of the Common Shares on the facilities of the Neo Exchange Inc. is greater than $0.20 for ten non-consecutive trading days (the "Acceleration Provision"). In connection with the closing of the May 2022 Financing, 17,083,333 May Warrants were issued to subscribers of the offering. Each May Warrant entitles the holder thereof to acquire one share at a price of $0.05 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provisions. The Company issued certain insiders an aggregate of 1,866,666 May Units in lieu of a cash

commission and issued an aggregate of 1,866,666 broker warrants ("Broker Warrants") of the Company. Each Broker Warrant entitles the holder thereof to acquire one May Unit at a price of $0.03 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provision. Each Unit underlying the Broker Warrants is identical to the May Units issued under the Private Placement. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.0 years; expected volatility of 100%; and risk-free interest rate of 2.60%.

(3) In connection with the closing of the May 2022 Financing, the Company also issued an aggregate of 600,000 May Units to a former director of the Company in settlement of an aggregate of $18,000 in indebtedness resulting in the issuance of 300,000 warrants on the same terms as the May Warrants.

(4) In connection with the November 2022 Convertible Debenture Financing, the Company issued an aggregate of 63.0 million Nov Warrants of the Company. Each Nov Warrant entitles the holder thereof to acquire one common share at a price of $0.015 per share until October 20, 2025, subject to the Acceleration Provision. Refer to Note 14 - *Convertible Debt*, for further details on the valuation of Nov Warrants. As described in 16(a)(b) above, on April 5, 2023, 16,666,666 of the Nov Warrants were exercised for 16,666,666 Common Shares for gross proceeds of $250,000. The Company provided an additional incentive share for each warrant converted, resulting in an additional 16,666,666 Common Shares being granted, combined a total of 33,333,333 commons shares were issued in connection with the early exercise of these warrants. The incentive shares were assigned a value of $42,130 and were accounted for as a debt modification, resulting in a charge of $42,130 on the interim condensed consolidated statement of comprehensive loss for the six months ended September 30, 2023.

(5) In connection with the grant of $60,000 convertible debentures to executives on January 2, 2023 (Refer to Note 14 - Convertible Debt), the Company issued an aggregate of 4.0 million warrants on the same terms and conditions as the warrants issued in connection with the November 2022 Convertible Debenture Financing. The warrants were allocated a total value of $10,110.

(c) Broker Warrants

The following table summarizes the outstanding Broker Warrants and activity:

	Number of warrants (#)	Weighted-Average Exercise Price ($)
Balance, December 31, 2020	29,085	5.70
Additions(1)(2)(3)	1,120,794	0.20
Expired(1)(4)	(33,085)	5.01
Balance, December 31, 2021	1,116,794	0.20
Broker warrants issued pursuant to May'22 Financing(5)	1,866,666	0.03
Balance, March 31, 2023 and September 30, 2023	**2,983,460**	**0.09**

(1) Prior to the completion of the OCH Amalgamation, and in connection with the January 2020 Offering, the Company granted 4,000 Broker Warrants with a nil strike price, which immediately vested and expired on December 31, 2021.

(2) On February 16, 2021, the Company issued 1,105,128 Broker Warrants to certain brokers as partial compensation for their engagement in the completion of the February 2021 Offering. The Broker Warrants are exercisable at a price equal to the conversion price of the February 2021 Debentures ($0.20 per warrant) until February 16, 2024.

(3) On December 21, 2021 and in conjunction with a subscription receipts financing, the Company issued 11,666 Broker Warrants with a strike price of $0.30 per share and a term of two years from the date of completion of the 406 Amalgamation.

(4) Broker Warrants granted on March 8, 2019 with a strike price of $5.70 per share expired without exercise on March 9, 2021.

(5) In connection with the closing of the May 2022 Financing, the Company issued certain insiders an aggregate of 1,866,666 May Units (including 933,333 May Warrants) in lieu of a cash commission and issued an aggregate of 1,866,666 Broker Warrants (933,333 May Warrants). Each Broker Warrant entitles the holder thereof to acquire one May Unit at a price of $0.03 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provision. Each Unit underlying the Broker Warrants is identical to the May Units (inclusive a May Warrant) issued under the Private Placement. Consequently a total

of 1,866,666 May Warrants were issued. The fair value of the Broker Warrants was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 2.0 years; expected volatility of 100%; and risk-free interest rate of 2.60%.

(d) Share Based Compensation

i. Stock Options

The following table summarizes the Options grants and activity:

	Number of options (#)	Weighted-Average Exercise Price ($)
Balance, December 31, 2020 and 2021	**211,013**	2.55
Granted	**9,193,982**	0.03
Forfeited/Cancelled	**(850,000)**	0.03
Balance, March 31, 2023 and September 30, 2023	**8,554,995**	0.09

Outstanding Options			Exercisable Options	
Options Outstanding	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price ($/share)**	**Number Exercisable**	**Weighted-Average Exercise Price ($/share)**
8,554,995	3.7	0.09	5,773,667	0.12

Of the total of 8,554,995 options outstanding at September 30, 2023, 2,153,286 expire on June 16, 2027; 6,190,696 expire on May 19, 2027; and 211,013 expire on August 1, 2030.

On May 19 and June 16, 2022, the Company granted an aggregate of 9,193,982 stock options to employees of the Company. The options vest equally at the end of each of the three years from the dates of grant, have an exercise price of $0.03 per share, and expire on May 19, 2027 and June 16, 2027, respectively. 850,000 of the options were forfeited in the fourth quarter of 2022 upon departure of an employee.

The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: weighted average expected life of 5 years; expected volatility of 100%; no forfeitures, and risk-free interest rates between 2.75% and 3.31%, respectively, per annum.

ii. Performance Unit Plan

The Company issues performance share units ("PSUs") to certain executive officers of the Company to purchase Common Shares at an exercise price of $nil upon achievement of certain milestones.

The PSUs vest in accordance with the achievement of specific performance measures as follows: 1/3 upon completion of a public listing of the Common Shares, 1/3 upon commencing operations of the Company's 25th retail cannabis store, and 3) 1/3 upon commencing operations of the Company's 50th retail cannabis store.

On each vesting date, the Company may, in its sole discretion, settle the vested PSU obligation by either:

a) issuing such number of Common Shares equal to the number of PSUs vested;
b) pay an amount in cash equal to the fair market value per Common Share of the Common Shares multiplied by the number of PSUs vested; or
c) any combination of the foregoing.

The following table summarizes the PSU grants and activity:

	Number of PSUs (#)	Weighted-Average Exercise Price ($)
Balance, December 31, 2021	573,402	$0.00
Forfeited/Cancelled (2)	**(315,387)**	$0.00

Balance, March 31, 2023 and September 30, 2023	**258,015**	$0.00

During the period from January 1, 2022 to September 30, 2023: 315,387 PSUs allocated to a former officer were cancelled upon his resignation.

iii. Restricted Share Unit Plan

The Company issues restricted share units ("RSUs") to certain executive officers and directors of the Company to purchase Common Shares at an exercise price of $nil upon achievement of certain milestones.

The RSUs vest in accordance with the achievement of specific performance measures as follows: 1/4 upon achieving an enterprise store count of 15, 1/4 upon achieving $15.0 million of annualized enterprise store revenues based on trailing 3-months, 3) 1/4 upon achieving an enterprise store count of 20, and 4) 1/4 upon achieving $20.0 million of annualized enterprise store revenues based on trailing 3-months

On each vesting date, the Company may, in its sole discretion, settle the vested RSU obligation by either:

a) issuing such number of Common Shares equal to the number of RSUs vested;
b) pay an amount in cash equal to the fair market value per Common Share multiplied by the number of RSUs vested; or
c) any combination of the foregoing.

The following table summarizes the RSU grants and activity:

	Number of RSUs (#)	Weighted-Average Exercise Price ($)
Balance, December 31, 2021	-	-
Granted (1)	**20,471,085**	$0.00
Forfeited/Cancelled (2)	**(4,094,217)**	$0.00
Balance, March 31, 2023 and September 30, 2023	**16,376,868**	$0.00

During the period from January 1, 2022 to September 30, 2023: 20,471,085 RSUs were granted to directors and officers of the Company; 1,364,739 RSUs granted to a director were cancelled upon her resignation; and 2,729,478 RSUs granted to an officer and director were cancelled upon his resignation.

	Outstanding RSUs			Exercisable RSUs	
Exercise Price ($/share)	**Options Outstanding**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price ($/share)**	**Number Exercisable**	**Weighted-Average Exercise Price ($/share)**
-	16,634,883	3.85	-	4,094,217	-

On May 19 and June 16, 2022, the Company granted an aggregate of 20,471,085 RSUs to Senior Managements and Directors of the Company. Each unit entitles the holder to receive one common share of the Company for no consideration upon the satisfaction of the following performance conditions:

- 25% of the units upon the Company opening the 15th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 1)
- 25% of the units upon the Company achieving $15,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche 2). The Company achieved this vesting hurdle in the three-month period ended December 31, 2022.
- 25% of the units upon the Company opening the 20th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 3)
- 25% of the units upon the Company achieving $20,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche 4).

17. Contributed Surplus

The following table summarizes the changes in contributed surplus:

	Six Months Ended September 30, 2023	Fifteen Months Ended March 31, 2023
Balance, beginning of period	**3,475,994**	2,506,664
Issuance of warrants		253,777
Share-based compensation expense	**7,703**	556,302
Shares to be issued on settlement of debts		135,000
Conversion option and warrants	**(42,130)**	159,250
Shares issued on satisfaction of the debt settlement agreement		(135,000)
Balance, end of period	**3,441,567**	3,475,994

(1) The Company recorded $7,703 in share-based compensation expense for the six months ended September 30, 2023 (fifteen months ended March 31, 2023: $556,302).

(2) On April 5, 2023, 16,666,666 of the warrants issued pursuant to the November'22 Financing were exercised for 16,666,666 Common Shares for gross proceeds of $250,000. The Company reclassified $42,129 related to the warrants exercised from contributed capital to share capital.

18. Change in Non-Cash Working Capital

The net change in working capital is comprised of:

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Trade and other receivables	**(17,378)**	(350,029)
GST/HST net receivable	**(16,134)**	93,078
Inventory	**(194,770)**	(72,956)
Prepaid expenses	**7,357**	(7,992)
Accounts payable and accrued liabilities	**365,578**	529,357
Change in non-cash working capital	**144,653**	191,458
Related to operating activities	**144,653**	191,458
Related to investing activities	**-**	-
Related to financing activities	**-**	-

19. Commitments and Contingencies

The Company has entered into numerous cash commitments pertaining to payments on retail leases that are payable over the next five years, as follows:

($ thousands)	**Total**	**2023**	**2024**	**2025**	**2026**	**2027**
Retail leases	3,931	1,064	968	644	633	622

20. Key Management and Personnel Compensation

Compensation for key management and personnel, including Company officers, directors, and private companies controlled by officers and directors, was as follows:

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Executive earnings	$156,000	$98,125

21. Related Party Transactions

The key management personnel of the Company for the three and six months ended September 30, 2023 were Campbell Becher (CEO) and Jeff Holmgren (President and CFO) along with members of the non-executive Board.

As at September 30, 2023, the Company had the following transactions with related parties, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements. Transactions with related parties were conducted in the normal course of operations.

Shareholder loans

Certain shareholders of the Company have provided loans to the Company in the amount of $1,878,889 (including accrued interest) as at September 30, 2023. These shareholder loans accrue interest at rates between 8% and 10% per annum. See Note 15 - *Shareholder Loans*, for additional information.

As at September 30, 2023, accounts payable and accrued liabilities on the statements of financial position include a debt owing of $46,875 to Mr. Conquergood (previous CEO), relating to his severance in connection with his resignation on February 7, 2022. Repayment terms pursuant to a settlement agreement included a lump sum payment of $23,125 in January 2023 with the remaining obligation of payable in monthly installments beginning in November 2022 until December 2023. In August, the Company paid the installment payment of $23,125 which was due on January 30, 2023. The Company is therefore in breach of the settlement agreement. Pursuant to the settlement agreement, the Company agreed to a consent judgement order, providing Mr. Conquergood with the right to obtain court judgement for collection of the unpaid balance of debts owing totalling $46,875 as at September 30, 2023. Mr. Conquergood exercised his right to consent judgement in March 2023, however no further action has been taken to collect due to ongoing settlement negotiations. On August 18, 2023, Mr. Conquergood amended his settlement agreement extending maturity to November 14, 2023.

In January 2023, the Company issued $60,000 in secured convertible debentures on the same terms and conditions as the November 2022 Convertible Debentures unit offering (refer to note 14 – Convertible Debt), as repayment of debts owing to executives of the Company.

22. Other Revenue

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	**Six Months Ended September 30, 2023**	Six Months Ended September 30, 2022
Brand license revenue	**-**	105,214	**-**	210,428
Strategic consumer data sales	**139,724**	-	**206,185**	-
Total	**139,724**	105,214	**206,185**	210,428

On April 11, 2023 the Company closed the 101 Acquisition (see note 4a – Acquisition of B.C. stores) adding 5 retail cannabis stores operating in British Colombia (3 in Victoria, 2 in Nanaimo) to the portfolio. The closing of this transaction resulted in the transition of previously recognized brand license store revenues to corporate store revenues in April 2023.

23. Subsequent Events

Subsequent to September 30, 2023, the Company reported the following:

a) *Termination of Business* Combination with 420 Investments Inc.
420 Investments Ltd. unilaterally terminated the business combination agreement dated July 12, 2023, entered into between the Company and 420 (the "BCA"), effective as of November 2, 2023. The Company reserves all of its rights against 420 with regard to the unilateral termination by 420 of the BCA. The board of directors of the Company intends to undertake a comprehensive review to identify and consider a range of alternatives and their potential to enhance shareholder value. These alternatives could include, but are not limited to, a merger or business combination with another party, an asset sale, a strategic partnership or any combination of the foregoing. The Company does not intend to set a definite schedule to complete its evaluation process and cautions that there are no assurances or guarantees that the process will result in a transaction, or if a transaction is undertaken, terms or timing of such a transaction.

b) *Closure of 1 retail store in B.C.:*
On November 9, 2023, the Company closed its retail location located at 695 Alpha Street in Victoria, BC due to poor operating results. The Company is currently reassessing it long term strategy to maximize value for this license permit.