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CANNARA BIOTECH INC.

Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended

February 28, 2023 and 2022
(Unaudited)

CANNARA BIOTECH INC.

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(Unaudited)

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Financial Position
As at February 28, 2023 and August 31, 2022
(Unaudited - in Canadian dollars)

	February 28, 2023	August 31, 2022
Assets		
Current assets		
Cash	$ 4,140,492	$ 12,114,691
Accounts receivable	8,208,503	8,526,918
Lease receivable	31,830	90,251
Biological assets (note 3)	4,636,034	5,712,456
Inventory (note 4)	22,105,943	13,266,987
Prepaid expenses and other assets	1,697,863	1,277,381
	40,820,665	40,988,684
Deposits	296,114	296,114
Deposits on property, plant and equipment	274,433	928,385
Property, plant and equipment (note 5)	87,602,391	83,289,745
Right-of-use asset	153,800	114,119
	$ 129,147,403	$ 125,617,047
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 12,103,416	$ 9,307,959
Sales tax payable	573,238	319,664
Deferred lease revenue	380,118	–
Deferred revenue	39,944	7,087
Current portion of long-term debt	1,471	2,611
Current portion of deferred grant income	38,739	38,101
Current portion of lease liabilities	124,925	219,702
Current portion of term loan (note 6)	1,965,961	1,965,961
	15,227,812	11,861,085
Lease liabilities	74,179	16,962
Convertible debentures (note 6)	5,451,773	9,590,143
Deferred grant income	796,528	816,536
Deferred lease revenue	79,675	–
Term loan (note 6)	35,744,571	36,596,560
	57,374,538	58,881,286
Shareholders' equity		
Share capital	89,163,224	83,296,250
Contributed surplus	9,593,549	9,724,114
Deficit	(26,913,937)	(26,299,730)
Accumulated other comprehensive gain (loss)	(69,971)	15,127
Total equity	71,772,865	66,735,761
Contingencies (note 12)		
Subsequent events (note 16)		
	$ 129,147,403	$ 125,617,047

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statement of Net Loss and Comprehensive Loss
For the three and six-month periods ended February 28, 2023 and 2022
(Unaudited)

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Revenue				
Revenue from sale of goods (note 13)	$ 15,850,089	$ 6,686,811	$ 27,065,788	$ 13,654,129
Excise taxes	(4,161,259)	(1,450,812)	(6,934,567)	(2,989,799)
Net revenue from sale of goods	11,688,830	5,235,999	20,131,221	10,664,330
Lease revenues (note 13)	896,053	827,187	1,763,965	1,726,191
Services revenues (note 13)	263,021	1,208,873	1,194,132	1,208,873
Other income	187,852	150,295	258,043	387,536
	13,035,756	7,422,354	23,347,361	13,986,930
Cost of revenues				
Cost of goods sold (note 4)	8,673,215	3,741,594	14,180,105	7,221,717
Cost of services	214,518	969,289	911,254	969,289
Lease operating costs	117,394	75,864	201,975	146,292
Gross profit before fair value adjustments	4,030,629	2,635,607	8,054,027	5,649,632
Changes in fair value of inventory sold	(3,948,425)	(1,269,679)	(5,947,752)	(3,136,159)
Unrealized gain on changes in fair value of biological assets (note 3)	4,179,518	1,649,649	6,988,042	3,122,146
Gross profit	4,261,722	3,015,577	9,094,317	5,635,619
Operating expenses (income)				
General and administrative (note 9)	1,838,820	2,132,004	3,688,022	3,737,261
Research and development	245,734	305,824	462,105	562,319
Selling, marketing and promotion	546,366	302,686	1,054,419	602,278
Professional and legal fees	247,808	185,215	481,351	417,595
Share-based compensation (note 8)	435,407	151,324	997,966	117,200
Amortization (notes 5)	278,985	304,907	572,997	536,808
Gain on sublease agreement	–	–	–	(12,876)
Loss on disposal of property, plant and equipment (note 5)	37,267	6,444	63,247	31,106
	3,630,387	3,388,404	7,320,107	5,991,691
Operating income (loss)	631,335	(372,827)	1,774,210	(356,072)
Net finance expense (note 10)	1,249,390	772,996	2,389,314	1,320,250
Net loss	(618,055)	(1,145,823)	(615,104)	(1,676,322)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(16,710)	15,499	(85,098)	(13,881)
Total comprehensive loss	$ (634,765)	$ (1,130,324)	$ (700,202)	$ (1,690,203)
Basic loss and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares	88,345,679	87,648,132	88,045,109	87,648,132

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Changes in Equity
For the six-month periods ended February 28, 2023 and 2022
(Unaudited - in Canadian dollars)

	Shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive gain (loss)	Total equity
As at August 31, 2022	87,698,132	$ 83,296,250	$ 9,724,114	$ (26,299,730)	$ 15,127	$ 66,735,761
Net loss	–	–	–	(615,104)	–	(615,104)
Other comprehensive loss						
Foreign currency translation adjustments	–	–	–	–	(85,098)	(85,098)
Comprehensive loss	–	–	–	(615,104)	(85,098)	(700,202)
Share-based compensation (note 8)						
Employee compensation	–	–	991,461	–	–	991,461
Other services	–	–	6,505	–	–	6,505
	–	–	997,966	–	–	997,966
Exercise of stock options (notes 7 and 8)	50,000	88,100	(38,100)	–	–	50,000
Conversion of convertible debenture (note 6)	2,955,414	5,808,214	(1,090,431)	–	–	4,717,783
Repurchase and cancellation of common shares under NCIB (note 7)	(30,000)	(29,340)	–	897	–	(28,443)
As at February 28, 2023	90,673,546	$ 89,163,224	$ 9,593,549	$ (26,913,937)	$ (69,971)	$ 71,772,865

	Shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive gain	Total equity
As at August 31, 2021	87,648,132	$ 83,208,150	$ 9,412,746	$ (28,605,149)	$ 100,065	$ 64,115,812
Net loss	–	–	–	(1,676,322)	–	(1,676,322)
Other comprehensive loss:						
Foreign currency translation adjustments	–	–	–	–	(13,881)	(13,881)
Comprehensive loss	–	–	–	(1,676,322)	(13,881)	(1,690,203)
Share-based compensation (note 8)						
Employee compensation	–	–	115,822	–	–	115,822
Other services	–	–	1,378	–	–	1,378
	–	–	117,200	–	–	117,200
As at February 28, 2022	87,648,132	$ 83,208,150	$ 9,529,946	$ (30,281,471)	$ 86,184	$ 62,542,809

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Cash Flows
For the three and six-month periods ended February 28, 2023 and 2022
(Unaudited - in Canadian dollars)

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Cash provided by (used in):				
Operating:				
Net loss	$ (618,055)	$ (1,145,823)	$ (615,104)	$ (1,676,322)
Items not involving cash:				
Changes in fair value of inventory sold	3,948,425	1,269,679	5,947,752	3,136,159
Unrealized gain on changes in fair value of biological assets (note 3)	(4,179,518)	(1,649,649)	(6,988,042)	(3,122,146)
Amortization of property, plant and equipment (note 5)	1,147,946	928,809	2,284,706	1,674,064
Amortization of right-of-use assets	30,131	26,983	60,263	56,779
Loss on disposal of property, plant and equipment	37,267	6,444	63,247	31,106
Gain on sublease	–	–	–	(12,876)
Change in fair value of derivative financial instrument	–	130,447	–	130,447
Interest on lease liabilities	6,177	16,948	15,669	36,590
Interest expense (note 6)	910,957	357,121	1,765,377	733,491
Interest income (note 10)	(74,151)	(29,308)	(147,523)	(45,147)
Share-based compensation (note 8)	435,407	151,324	997,966	117,200
Accretion and amortization of financing costs (note 6)	244,919	170,590	502,675	348,681
Other	56	55	113	113
Net change in non-cash operating working capital items (note 15)	(1,512,599)	(1,558,655)	(3,825,225)	(2,619,714)
	376,962	(1,325,035)	61,874	(1,211,575)
Financing:				
Proceeds from debt financing	–	–	–	22,000,000
Debt financing issuance costs	–	–	–	(98,372)
Repayment of term loan (note 6)	(491,491)	–	(982,981)	–
Repayment of mortgage payable	–	(54,771)	–	(12,054,771)
Net purchase of shares under NCIB (note 7)	(28,443)	–	(28,443)	–
Private placement issuance costs	–	–	–	(25,250)
Convertible debenture issuance costs	–	–	–	(24,888)
Stock options exercised (notes 7 and 8)	–	–	50,000	–
Interest paid on debt instruments (note 6)	(811,998)	(288,520)	(1,522,329)	(558,183)
Lease payments	(76,586)	(71,910)	(153,173)	(143,820)
Other long-term debt payments	(1,182)	(1,182)	(1,182)	(1,773)
	(1,409,700)	(416,383)	(2,638,108)	9,092,943
Investing:				
Deposits on property, plant and equipment	(188,633)	(917,512)	(479,660)	(1,929,613)
Acquisitions of property, plant and equipment (note 5)	(1,506,775)	(3,266,544)	(5,041,716)	(5,902,961)
Disposal of property, plant and equipment (note 5)	55,421	7,000	74,421	40,956
Interest received	70,963	17,668	134,088	22,832
	(1,569,024)	(4,159,388)	(5,312,867)	(7,768,786)
Net change in cash	(2,601,762)	(5,900,806)	(7,889,101)	112,582
Effect of foreign exchange on cash	(16,710)	15,499	(85,098)	(13,881)
Cash, beginning of period	6,758,964	14,143,313	12,114,691	8,159,305
Cash, end of period	$ 4,140,492	$ 8,258,006	$ 4,140,492	$ 8,258,006

See accompanying notes to condensed interim consolidated financial statements.

1. Nature of operations

Cannara Biotech Inc. ("Cannara" or the "Company") is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products for the Quebec and Canadian markets. The Company is domiciled in Canada and was incorporated under the laws of British Columbia on October 19, 2017. Its head office is located at 333 Décarie, Suite 200, Ville St-Laurent, Québec, H4N 3M9. The Company’s common shares are listed under the symbol "LOVE.V" on the TSX Venture Exchange (the "TSXV") in Canada, "LOVFF" on the OTCQB Venture Market in the United States and "8CB" on the Frankfurt Stock Exchange in Germany.

Cannara owns and operates two Quebec-based mega cultivation facilities spanning over 1,650,000 square feet. Cannara’s first purpose-built, modern indoor cultivation facility is located in Farnham, Quebec and measures 625,000 square feet, comprising 170,000 square feet of operational licensed cultivation area and 414,000 square feet of leased warehouse space ("Farnham Facility"). The second facility, acquired in June 2021, is a hybrid greenhouse facility that is being redesigned to replicate the indoor cultivation environment, including growing without utilizing the sun. The facility is comprised of 24 independent growing zones totaling 600,000 square feet, a 225,000 square feet cannabis 2.0 processing center and a 200,000 square feet rooftop greenhouse located in Valleyfield, Quebec (“Valleyfield Facility”). Cannara operates through its wholly-owned subsidiaries, Cannara Biotech (Quebec) Inc. and Cannara Biotech (Valleyfield) Inc., both holding active licenses issued by Health Canada under the Cannabis Act.

The Company continues to invest in capital expenditures at its Valleyfield Facility, redesigning 8 growing zones to-date. Multiple harvests have occurred since the start of the Valleyfield cultivation operations in November 2021 and have resulted in increased revenues as the harvested cannabis is processed and sold. The Company generated $1.8 million in operating income and a net loss of $0.6 million during the six-month period ended February 28, 2023 (2022 – operating loss of $0.4 million and a net loss of $1.7 million) and has a deficit of approximately $26.9 million as at February 28, 2023 (August 31, 2022 - $26.3 million). The Company expects that its existing cash resources of $4.1 million as at February 28, 2023, along with the forecasted cash flows and available undrawn credit facilities, will enable it to fund its planned operating expenses for at least the next twelve months from February 28, 2023.

1. Nature of operations (continued)

The ability of the Company to ultimately achieve recurrent profits from operations is dependent upon the continued success of its product and brand pipeline in addition to maintaining the consistency of its grow operations and lean cost structure. The Company expects to finance its operations through its sales, existing cash, available undrawn credit facilities and/or a combination of public or private equity and debt financing or other sources.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 21, 2023.

(b) Basis of preparation

The condensed interim consolidated financial statements were prepared using the same accounting policies as set forth in Notes 2 and 3 in the audited financial statements of the Company for the year ended August 31, 2022. These condensed interim consolidated financial statements do not include all the notes required in annual consolidated financial statements. Therefore, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended August 31, 2022.

The preparation of the Company’s condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of expenditures, assets and liabilities. Actual results could differ from those estimates.

2. Basis of preparation and significant accounting policies (continued)

(b) Basis of preparation (continued)

On an ongoing basis, estimates and judgements are evaluated. The Company bases its estimates on the most probable set of economic conditions and planned course of action, historical experience, known trends and events, and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Uncertainty about these assumptions and estimates could result in an outcome that requires material adjustments to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which these estimates are revised and in any future periods affected.

The critical accounting judgments and key sources of estimation uncertainty are consistent with those in the audited consolidated financial statements and notes thereto to the Company for the year ended August 31, 2022.

(c) Share consolidation

During the second quarter of 2023, the Company obtained approval from shareholders during the Annual General Meeting and from TSX-V for its proposal to consolidate all of the issued and outstanding common shares of the Company on the basis of ten pre-consolidation common shares for every one post-consolidation common share. The Company's authorized share capital is an unlimited number of common shares without par value. At the date of the conversion, on February 13, 2023, the 907,035,460 shares issued and outstanding were converted into 90,703,552 common shares, after rounding for the fractional shares. All the share capital, stock options and RSU numbers were adjusted retrospectively.

(Unaudited - in Canadian dollars)

3. Biological assets

The Company's biological assets consist of cannabis plants up to the point of harvest. The changes in the carrying values of biological assets are as follows:

Carrying amount, August 31, 2021	$	1,902,206
Production costs capitalized		10,257,220
Change in fair value due to biological transformation, less cost to sell		11,173,673
Transferred to inventory upon harvest		(17,620,643)
Carrying amount, August 31, 2022	$	5,712,456
Production costs capitalized		8,140,042
Change in fair value due to biological transformation, less cost to sell		6,988,042
Transferred to inventory upon harvest		(16,204,506)
Carrying amount, February 28, 2023	$	4,636,034

The estimates used in determining the fair value of cannabis plants are as follows:

- expected average wholesale and retail selling price per gram of harvested cannabis;
- expected cost to complete and cost to sell;
- expected yield per cannabis plant;
- stage of completion in the production process (days remaining until harvest);
- expected plant loss based on their various stages of growth.

The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period-end. Stage of growth is determined by reference to the time incurred as a percentage of total weeks of growth as applied to estimated total fair value per gram (less costs to complete and costs to sell) to arrive at an in-process fair value for estimated biological assets, which have not yet been harvested.

(Unaudited - in Canadian dollars)

3. Biological assets (continued)

Because there is no actively traded commodity market for cannabis plants and cannabis products, the valuation of the biological assets is obtained using valuations techniques where the inputs are based upon unobservable market data and are classified as level 3 in the fair market value hierarchy. There has been no transfer between levels as at February 28, 2023.

Management's identified significant unobservable inputs, their values and sensitivity analysis are presented in the table below.

The income approach calculates the present value of expected future cash flows from the Company's biological assets using the following inputs for the period ended February 28, 2023:

Unobservable inputs	Input values	Sensitivity analysis
Wholesale and retail selling price Represents the weighted average expected wholesale and retail selling price per gram of dried cannabis, excluding excise taxes, where applicable, which is expected to approximate future wholesale and retail selling prices.	Weighted average of $3.01 per gram (August 31, 2022 – $3.31 per gram	An increase or decrease of 5% applied to the selling price would result in a change of approximately $376,000 to the valuation.
Yield per plant Represents the average number of grams of dried cannabis expected to be harvested from each cannabis plant from the two facilities.	76 grams per plant (August 31, 2022 – 78 grams per plant)	An increase or decrease of 5% applied to the average yield per plant would result in a change of approximately $245,000 to the valuation.
Stage of completion Calculated by taking the average number of days in the cultivation cycle over the total estimated duration of a cultivation cycle which is currently approximately 13 to 14 weeks from clone to harvest.	Weighted average stage of completion is 48% (August 31, 2022 - 49%)	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately $209,000 to the valuation.

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

As at February 28, 2023, it is expected that the Company's biological assets will yield approximately 6,845 kilograms of dried cannabis when harvested (August 31, 2022 - 5,539 kilograms of dried cannabis).

(Unaudited - in Canadian dollars)

4. Inventory

Inventory consists of the following:

	Capitalized cost	Fair value adjustment[1]	February 28 2023 Total
Raw materials - cultivation and supplies	$ 3,264,967	$ –	$ 3,264,967
Harvested cannabis			
Dried cannabis and work-in-progress	8,300,498	4,378,956	12,679,454
Finished goods	2,144,394	949,009	3,093,403
Derivative products			
Derivatives products and work-in-progress	2,050,969	6,212	2,057,181
Finished goods	671,444	31,437	702,881
Finished goods – cannabis accessories and merchandise	308,057	–	308,057
	$ 16,740,329	$ 5,365,614	$ 22,105,943

	Capitalized cost	Fair value adjustment[1]	August 31, 2022 Total
Raw materials – cultivation and supplies	$ 3,007,615	$ –	$ 3,007,615
Harvested cannabis			
Dried cannabis and work-in-progress	5,206,319	2,548,848	7,755,167
Finished goods	880,749	384,699	1,265,448
Derivative products			
Derivative products and work-in-progress	900,252	80,701	980,953
Finished goods	84,680	430	85,110
Finished goods – cannabis accessories	172,694	–	172,694
	$ 10,252,309	$ 3,014,678	$ 13,266,987

[1] Fair value adjustment represent the fair value adjustment transferred from biological assets at harvest.

The amount of inventory expensed as cost of goods sold during the three and six-month periods ended February 28, 2023 was $8,673,215 and $14,180,105 (2022 - $3,741,594 and $7,221,717), including an impairment loss on inventory of $1,375,360 and $1,411,709 (2022 – $185,757 and $204,649) for cannabis that cost exceeds its net realizable value.

(Unaudited - in Canadian dollars)

5. Property, plant and equipment

	Land	Buildings	Facility production equipment	Computer equipment and software	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Balance as at August 31, 2022	$ 2,452,085	$ 64,297,845	$ 10,858,550	$ 1,473,919	$ 40,440	$ 1,852,072	$ 11,531,330	$ 92,506,241
Additions	–	2,055,465	1,446,417	100,650	–	109,720	3,022,768	6,735,020
Transfer	–	6,194,805	615,121	–	–	192,119	(7,002,045)	–
Disposal	–	–	(175,714)	–	–	–	–	(175,714)
Balance as at February 28, 2023	$ 2,452,085	$ 72,548,115	$ 12,744,374	$ 1,574,569	$ 40,440	$ 2,153,911	$ 7,552,053	$ 99,065,547
Accumulated amortization								
Balance as at August 31, 2022	$ –	$ (6,465,617)	$ (1,632,112)	$ (661,078)	$ (8,938)	$ (448,751)	$ –	$ (9,216,496)
Amortization	–	(1,452,670)	(586,889)	(137,767)	(4,044)	(103,336)	–	(2,284,706)
Disposal	–	–	38,046	–	–	–	–	38,046
Balance as at February 28, 2023	$ –	$ (7,918,287)	$ (2,180,955)	$ (798,845)	$ (12,982)	$ (552,087)	$ –	$ (11,463,156)
Net book value								
Balance as at February 28, 2023	$ 2,452,085	$ 64,629,828	$ 10,563,419	$ 775,724	$ 27,458	$ 1,601,824	$ 7,552,053	$ 87,602,391

As at February 28, 2023, the assets included in construction in progress represent the Valleyfield Facility and related capital expenditures incurred to render the facility operational, for the redesign of the remaining growing zones, the construction of warehouse and processing space center. The costs are transferred to other categories as the assets become available or ready for use. The Company expect to put in operations the remaining growing zones in lockstep until 2026. The assets under construction also contain the new building of approximately 45,000 square feet that is currently being built out on the Valleyfield site, for which the Company has already secured a long-term lease with a non-cannabis tenant starting January 2024. The Company already incurred approximately $375,000 for the construction of the new building, which is included in construction in progress as at February 28, 2023.

(Unaudited - in Canadian dollars)

5. Property, plant and equipment (continued)

	Land	Buildings	Facilities production equipment	Computer equipment and software	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Balance as at August 31, 2021	$ 2,452,085	$ 44,792,468	$ 5,833,454	$ 1,262,343	$ 18,440	$ 1,352,642	$ 21,234,527	$ 76,945,959
Additions	–	1,871,176	3,536,542	166,522	22,000	117,321	9,973,395	15,686,956
Transfer	–	17,634,201	1,615,228	45,054	–	382,109	(19,676,592)	–
Disposal	–	–	(126,674)	–	–	–	–	(126,674)
Balance as at August 31, 2022	$ 2,452,085	$ 64,297,845	$ 10,858,550	$ 1,473,919	$ 40,440	$ 1,852,072	$ 11,531,330	$ 92,506,241
Accumulated amortization								
Balance as at August 31, 2021	$ –	$ (3,881,432)	$ (828,841)	$ (421,653)	$ (3,771)	$ (293,011)	$ –	$ (5,428,708)
Amortization	–	(2,584,185)	(819,025)	(239,425)	(5,167)	(155,740)	–	(3,803,542)
Disposal	–	–	15,754	–	–	–	–	15,754
Balance as at August 31, 2022	$ –	$ (6,465,617)	$ (1,632,112)	$ (661,078)	$ (8,938)	$ (448,751)	$ –	$ (9,216,496)
Net book value								
Balance as at August 31, 2022	$ 2,452,085	$ 57,832,228	$ 9,226,438	$ 812,841	$ 31,502	$ 1,403,321	$ 11,531,330	$ 83,289,745

During the three and six-month period ended February 28, 2023, the Company recognized $1,147,946 and $2,284,706 as amortization, of which $248,854 and $512,734 have been recognized in the consolidated statement of loss and comprehensive loss, $2,422 and $16,959 have been included in cost of services and $896,670 and $1,755,013 have been included in the calculation of the biological assets and inventory valuation.

During the three and six-month period ended February 28, 2022, the Company recognized $928,809 and $1,674,064 as amortization expense, of which $277,924 and $480,029 have been recognized in the consolidated statement of loss and comprehensive loss and $650,885 and $1,194,035 have been included in the calculation of the biological assets and inventory valuation.

(Unaudited - in Canadian dollars)

6. Financing

(a) Term loan

		February 28, 2023		August 31, 2022
Net carrying value, beginning of period	$	38,562,521	$	–
Proceeds from term loan		–		39,319,223
Repayment of term loan		(982,981)		–
Addition of term loan issuance costs		–		(822,627)
Amortization of deferred financing costs		130,992		65,925
Net carrying value, end of period	$	37,710,532	$	38,562,521
Term loan [(i)]	$	38,336,242	$	39,319,223
Less: unamortized financing costs		(625,710)		(756,702)
		37,710,532		38,562,521
Short-term portion of term loan		(1,965,961)		(1,965,961)
	$	35,744,571	$	36,596,560

(i) The term loan bears a variable interest rate based on prime and/or banker acceptance rates. As at February 28, 2023, the interest on the term loan was 8.7%. The term loan is reimbursable quarterly based on an amortization schedule of 80 quarters, beginning November 30, 2022 and has a term of 3 year, ending May 31, 2025. The credit facility is secured by a first ranking mortgage against the Farnham and Valleyfield Facility, and is guaranteed with limited recourse, in part, by a related party for a fee based on the amount of the outstanding term loan (note 14(b)). The Company also has access to a $5 million line of credit and up to $10 million in an accordion facility of credit. The Company has to respect financial covenants such as (a) maintaining a certain liquidity coverage at all the times, and, starting on September 2023, to maintain (b) a fixed charge coverage ratio equal to or more than 1.25 to 1.0, (c) a funded debt to EBITDA ratio equal to or less than 3.0 to 1.0 at each quarter-end; and (d) an EBITDA of $3 million for the fiscal quarter of May 31, 2023 and an EBITDA of $4 million for the fiscal quarter ending August 31, 2023 and thereafter. The Company was in compliance with the covenants as at February 28, 2023.As at February 28, 2023, the Company did not draw from the line of credit and has not requested further funding under its accordion facility. Subsequent to quarter-end, the Company drew $1.5 million on the credit line for capital investment.

(Unaudited - in Canadian dollars)

6. Financing (continued)

(a) Term loan (continued)

(i) (continued)

For the three and six-month periods ended February 28, 2023, the Company recognized $814,202 and $1,557,605 as interest expense for the term loan. As at February 28, 2023, accrued interests of $259,018 were included in account payables and accrued liabilities.

(b) Convertible debentures

The rollforward of the financial liability component of the convertible debentures is as follows:

Net carrying value as at August 31, 2021	$	8,466,008
Interest expense		435,178
Accretion and amortization of deferred issuance costs		688,957
Net carrying value, August 31, 2022		9,590,143
Interest expense		207,772
Accretion and amortization of deferred issuance costs		371,641
Conversion of debenture		(4,717,783)
Net carrying value as at February 28, 2023	$	5,451,773

During the three and six-month periods ended February 28, 2023, the Company recognized $96,755 and $207,772 as interest expense (2022 - $106,917 and $213,624). The convertible debenture bears interest at 4% per annum and interest is payable at term or at conversion if it occurs. As at February 28, 2023, accrued interest of $394,952 was included in account payable and accrued liabilities (August 31, 2022 - $506,926).

On February 7, 2023, the Company received a notice of conversion to convert the principal and accrued interest totalling $5,319,745 into 2,955,414 common shares (post-consolidation) of the Company. On February 9, 2023, the Company issued shares from treasury in relation to the conversion. The net carrying balance of convertible debenture of $4,717,783 and the initial equity portion of $1,090,431 recorded in contributed surplus were reclassed to common shares on the conversion date.

7. Share capital

(a) Authorized

The Company has authorized an unlimited number of voting and participating common shares.

(b) Transactions on share capital

During the first quarter of 2023, a total of 50,000 stock options were exercised at a price of $1.00 per share for a total consideration of $50,000, resulting in the issuance of 50,000 new common shares of the Company.

(c) Normal Course Issuer Bid

On November 11, 2022, the Company received approval from the Toronto Stock Exchange to commence the Normal Course Issuer Bid (“NCIB”). Under the NCIB, the Company may acquire up to a maximum of 1,500,000 of its shares, or approximately 1.5% of its float for cancellation over the following 12 months.

During the six-month period ended February 28, 2023, the Company purchased 30,000 common shares having an average book value of $29,340 for cash consideration of $28,443. The excess of the book value over the purchase price value of the shares of $897 was charged to deficit. All shares purchased were cancelled.

In connection with the NCIB, the company has established a securities purchase plan with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods. Under the plan, before entering a self- imposed blackout period, the Company may, but is not required to, ask the designated broker to make purchases under the NCIB within specific parameters.

8. Share-based compensation

(a) Stock option plan

The Company has established a share option plan whereby certain personnel may be granted options to acquire shares under the terms of the employee share option plan or shares may be granted to third parties in exchange for services. The number and characteristics of share options granted under the employee share option plan are determined by the Board of Directors of the Company but cannot exceed 10% of the Corporation’s issued and outstanding common shares, including previously granted stock options; and (ii) such number of common shares as, when combined with all other common shares subject to grants made under the Company’s other share compensation arrangements (including the RSU Plan) would not exceed 10% of the outstanding common shares. The characteristics of share options granted to third parties for services are determined on a case-by-case basis.

(Unaudited - in Canadian dollars)

8. Share-based compensation (continued)

(a) Stock option plan (continued)

The share options granted under the employee share option plan vest 25% after the first anniversary of the grant date with the remainder vesting in 36 monthly consecutive equal instalments or as approved by the Board of Directors and expire five years from the date of issue. The plan provides for the issuance of common shares at an exercise price determined by the Board of Directors which is not lower than the fair value of the common shares on the grant date. Outstanding options under the plan are granted with service requirements (or service conditions) and become exercisable upon vesting. The share options granted to third parties for services have vesting terms determined on a case-by-case basis.

The activity of outstanding share options for the six-month period ended February 28, 2023 and 2022 was as follows:

		February 28, 2023		February 28, 2022
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	2,452,414	$ 1.50	3,653,934	$ 2.10
Granted	2,210,300	1.53	793,500	1.80
Exercised	(50,000)	1.00	–	–
Forfeited	(174,027)	1.80	(249,084)	1.80
Expired	(4,645)	1.80	(135,750)	1.80
Outstanding, end of period	4,434,042	1.53	4,062,600	2.10
Exercisable, end of period	1,962,421	$ 1.43	2,807,399	$ 2.20

During the three and six-month periods ended February 28, 2023, the Company recorded a share-based compensation expense of $416,971 and $979,530 in the consolidated statement of loss and comprehensive loss (2022 – $151,324 and $117,200).

During the first quarter of 2023, the Company granted 2,150,000 options that vest over time in accordance with the employee share option plan and 22,500 options that vested immediately.

During the second quarter of 2023, the Company granted 37,800 options that vest over time in accordance with the employee share option plan.

The share options forfeited relate to the share options held by directors and/or employees that are no longer part of the Company.

(Unaudited - in Canadian dollars)

8. Share-based compensation (continued)

(a) Stock option plan (continued)

The estimated fair value of the share options at the grant date was measured using the Black-Scholes option pricing model and the following weighted average inputs and assumptions:

	Six-month periods ended February 28, 2023	Six-month periods ended February 28, 2022
Share price [(i)]	$ 1.15	$ 1.30
Exercise price	$ 1.53	$ 1.80
Risk-free interest rate [(ii)]	3.40%	1.48%
Expected life [(iii)]	5 years	5 years
Expected price volatility [(iv)]	89%	92%
Fair value of the option	$ 0.76	$ 0.85
Expected dividend yield [(v)]	Nil	Nil

(i) The share price is based on the market price on the date of the grant.

(ii) The risk-free interest rate was based on the Bank of Canada government bonds rates in effect at grant date for time periods approximately equal to the expected life of the option.

(iii) The expected life of the options reflects the assumption of future exercise patterns that may occur.

(iv) Expected price volatility was estimated based on historical volatility of the Company's shares.

(v) The expected dividend yield has been estimated at nil as the Company has never paid cash dividends and does not expect to do so in the foreseeable future.

(Unaudited - in Canadian dollars)

8. Share-based compensation (continued)

(a) Stock option plan (continued)

The number of outstanding stock options that could be exercised for an equal number of common shares is as follows:

Expiry date	Exercise price $	Number outstanding	Number exercisable
June 1, 2023	$ 1.00	750,000	750,000
December 17, 2023	1.80	79,500	79,500
May 1, 2024	1.80	69,400	65,688
October 3, 2024	1.80	12,500	10,415
November 25, 2024	1.80	2,000	1,628
January 16, 2025	1.80	42,000	32,374
April 14, 2025	1.80	8,645	6,316
May 4, 2025	1.80	40,000	30,000
July 24, 2025	1.80	348,128	230,402
November 10, 2025	1.80	25,000	25,000
December 15, 2025	1.80	27,924	15,288
February 1, 2026	1.80	58,500	29,241
July 27, 2026	1.80	27,812	14,220
December 7, 2026	1.80	611,000	211,851
April 26, 2027	1.80	7,500	–
May 25, 2027	1.80	21,333	21,333
July 26, 2027	1.80	105,000	–
September 29, 2027	1.00	750,000	156,250
September 29, 2027	1.80	1,400,000	282,915
November 24, 2027	1.80	10,000	–
January 20, 2028	1.80	37,800	–
		4,434,042	1,962,421

(b) Restricted Share Units ("RSU")

During the second quarter of 2023, the Company obtained approval from shareholders during the Annual General Meeting and from TSX-V to implement a RSU Plan. The RSU Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the aggregate number of common shares issued and outstanding from time to time; and (ii) such number of common shares as, when combined with all other common shares subject to grants made under the Company's other share compensation arrangements (including the Stock Option Plan) would not exceed 10% of the outstanding common shares. The RSUs are time-based awards and can contains performance conditions. All the amount of RSUs granted will vest upon the continuous employment of the Participants on the second anniversary of the RSU grant or if the performance conditions are met, starting from the date of the grant or such other period not exceeding five years determined by the Board of Directors. Pursuant to the terms of the RSU Plan, Participants will receive for no consideration, upon vesting of the RSUs, common shares of the Company issued from treasury.

(Unaudited - in Canadian dollars)

8. Share-based compensation (continued)

(b) Restricted Share Units (“RSU”) (continued)

The outstanding RSUs for the six-month period ended February 28, 2023 and 2022 are as follows:

	February 28, 2023		February 28, 2022	
	Number	Weighted average fair value	Number	Weighted average fair value
Outstanding, beginning of period	–	$ –	–	$ –
Granted	789,183	0.90	–	–
Outstanding, end of period	789,183	$ 0.90	–	$ –

During the second quarter of 2023, the Company granted 789,183 RSUs without performance conditions and recorded a share-based compensation expense of $18,436 in the consolidated statement of loss and comprehensive loss.

9. General and administrative

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Salaries and benefits	$ 850,729	$ 659,722	$ 1,715,025	$ 1,374,891
Administrative and regulatory expense	784,293	479,216	1,374,390	861,252
Facility expense	203,798	993,066	598,607	1,501,118
General and administrative	$ 1,838,820	$ 2,132,004	$ 3,688,022	$ 3,737,261

(Unaudited - in Canadian dollars)

10. Net finance expense

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Interest income	$ 74,151	$ 29,308	$ 147,523	$ 45,147
Foreign exchange gain	13,725	–	86,248	–
Finance income	87,876	29,308	233,771	45,147
Interest on term loan	814,202	–	1,557,605	–
Interest on mortgage payable	–	250,204	–	519,867
Interest on convertible debentures	96,755	106,917	207,772	213,624
Interest on lease liabilities	6,177	16,948	15,669	36,590
Interest on letter of credit	51,944	–	105,055	–
Debt guarantee fees	93,750	–	187,500	–
Accretion and amortization of financing costs	244,919	170,590	502,675	348,681
Other finance expense	29,519	87,996	46,809	98,546
Loss on derivative financial instrument	–	130,447	–	130,447
Foreign exchange loss	–	39,202	–	17,642
Finance expense	1,337,266	802,304	2,623,085	1,365,397
Net finance expense	$ 1,249,390	$ 772,996	$ 2,389,314	$ 1,320,250

11. Financial instruments

Fair value measurements

The fair value of cash, accounts receivable, lease receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments.

The fair value of the term loan approximates it carrying amount as the interest rate approximates the current market rate.

The fair value on the convertible debenture is approximately $5.3 million.

12. Contingencies

In the normal course of business, the Company may be involved in various legal and regulatory proceedings. The Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its condensed interim consolidated statement of financial position or financial performance. As at February 28, 2023, there are no material claims in favor or against the Company.

13. Segment disclosures

(a) Reportable segments

The Company operates in two segments: (1) Cannabis operations, which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives exclusively for the Canadian market and other cannabis services ("Cannabis operations"); and (2) Real estate operations, related to the Farnham and Valleyfield building ("Real estate operations").

The chief operating decision-maker assesses performance based on segment operating results, which were defined as segment operating income (loss) before share-based compensation, amortization, net finance expense, gain on sublease on initial recognition, loss on disposal of property, plant and equipment and income tax. Categorized as "Other" are items related to U.S. hemp-based CBD products revenues and related operating costs. The accounting policies of the segments are the same as those described in note 3 of the audited financial statements of the Company for the year ended August 31, 2022.

(Unaudited - in Canadian dollars)

13. Segment disclosures (continued)

(a) Reportable segments (continued)

	Three-month period ended February 28, 2023				Three-month period ended February 28, 2022			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	$ 15,850,089	$ –	$ –	$15,850,089	$ 6,681,563	$ –	$ 5,248	$ 6,686,811
Excise taxes	(4,161,259)	–	–	(4,161,259)	(1,450,812)	–	–	(1,450,812)
Net revenue from sale of goods	11,688,830	–	–	11,688,830	5,230,751	–	5,248	5,235,999
Services revenues	263,021	–	–	263,021	1,208,873	–	–	1,208,873
Lease revenue	–	896,053	–	896,053	–	827,187	–	827,187
Other income	187,852	–	–	187,852	150,295	–	–	150,295
	12,139,703	896,053	–	13,035,756	6,589,919	827,187	5,248	7,422,354
Cost of revenues								
Cost of goods sold	8,673,215	–	–	8,673,215	3,733,602	–	7,992	3,741,594
Cost of services	214,518	–	–	214,518	969,289	–	–	969,289
Lease operating costs	–	117,394	–	117,394	–	75,864	–	75,864
Segment gross profit before fair value adjustments	3,251,970	778,659	–	4,030,629	1,887,028	751,323	(2,744)	2,635,607
Changes in fair value of inventory sold	(3,948,425)	–	–	(3,948,425)	(1,269,679)	–	–	(1,269,679)
Unrealized gain on changes in fair value of biological assets	4,179,518	–	–	4,179,518	1,649,649	–	–	1,649,649
Segment gross profit	3,483,063	778,659	–	4,261,722	2,266,998	751,323	(2,744)	3,015,577
Operating expenses	2,878,728	–	–	2,878,728	2,898,408	–	27,321	2,925,729
Segment operating income (loss)	604,335	778,659	–	1,382,994	(631,410)	751,323	(30,065)	89,848
Share-based compensation	–	–	435,407	435,407	–	–	151,324	151,324
Amortization	–	–	278,985	278,985	–	–	304,907	304,907
Loss on disposal of property, plant and equipment	–	–	37,267	37,267	–	–	6,444	6,444
Net finance expense	–	–	1,249,390	1,249,390	–	–	772,996	772,996
Net income (loss)	$ 604,335	$ 778,659	$ (2,001,049)	$ (618,055)	$ (631,410)	$ 751,323	$ (1,265,736)	$ (1,145,823)

(Unaudited - in Canadian dollars)

13. Segment disclosures (continued)

(a) Reportable segments (continued)

	Six-month period ended February 28, 2023				Six-month period ended February 28, 2022			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	$ 27,065,788	$ –	$ –	$ 27,065,788	$13,636,531	$ –	$ 17,598	$13,654,129
Excise taxes	(6,934,567)	–	–	(6,934,567)	(2,989,799)	–	–	(2,989,799)
Net revenue from sale of goods	20,131,221	–	–	20,131,221	10,646,732	–	17,598	10,664,330
Services revenues	1,194,132	–	–	1,194,132	1,208,873	–	–	1,208,873
Lease revenue	–	1,763,965	–	1,763,965	–	1,726,191	–	1,726,191
Other income	258,043	–	–	258,043	387,536	–	–	387,536
	21,583,396	1,763,965	–	23,347,361	12,243,141	1,726,191	17,598	13,986,930
Cost of revenues								
Cost of goods sold	14,180,105	–	–	14,180,105	7,206,536	–	15,181	7,221,717
Cost of services	911,254	–	–	911,254	969,289	–	–	969,289
Lease operating costs	–	201,975	–	201,975	–	146,292	–	146,292
Segment gross profit before fair value adjustments	6,492,037	1,561,990	–	8,054,027	4,067,316	1,579,899	2,417	5,649,632
Changes in fair value of inventory sold	(5,947,752)	–	–	(5,947,752)	(3,136,159)	–	–	(3,136,159)
Unrealized gain on changes in fair value of biological assets	6,988,042	–	–	6,988,042	3,122,146	–	–	3,122,146
Segment gross profit	7,532,327	1,561,990	–	9,094,317	4,053,303	1,579,899	2,417	5,635,619
Operating expenses	5,685,897	–	–	5,685,897	5,267,112	–	52,341	5,319,453
Segment operating income (loss)	1,846,430	1,561,990	–	3,408,420	(1,213,809)	1,579,899	(49,924)	316,166
Share-based compensation	–	–	997,966	997,966	–	–	117,200	117,200
Amortization	–	–	572,997	572,997	–	–	536,808	536,808
Loss on disposal of property, plant and equipment	–	–	63,247	63,247	–	–	31,106	31,106
Gain on sublease	–	–	–	–	–	–	(12,876)	(12,876)
Net finance expense	–	–	2,389,314	2,389,314	–	–	1,320,250	1,320,250
Net income (loss)	$ 1,846,430	$ 1,561,990	$ (4,023,524)	$ (615,104)	$ (1,213,809)	$ 1,579,899	$ (2,042,412)	$ (1,676,322)

(Unaudited - in Canadian dollars)

13. Segment disclosures (continued)

(b) Entity-wide disclosures

All property, plant and equipment are located in Canada.

(c) Sources of lease revenues

The Company leased 414,114 square feet of the total 625,000 available square feet in its Farnham facility to third parties. For the period ended February 28, 2023, the Company realized 100% of its lease revenue with two lessees:

- The lease term for Tenant A is up to September 30, 2027. Lease revenues from this tenant for the three and six-month periods ended February 28, 2023 amounted to $142,894 and $260,653 .
- The lease term for Tenant B is up to October 31, 2024, with options to extend. Lease revenues from this tenant for the three and six-month periods ended February 28, 2023 amounted to $753,159 and $1,503,312.

Income is generated from customers domiciled in Canada.

In addition, the Company signed a lease agreement with a new tenant for a building that is under construction at its Valleyfield site. The start of the lease term is set for the beginning of calendar year 2024 following the end of the construction of the building with a term of 11 years.

(d) Source of cannabis and cannabis accessories revenues

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Revenue from Canadian retailers	$ 15,690,637	$ 6,556,642	$ 26,804,626	$ 13,221,372
Excise taxes	(4,161,259)	(1,450,812)	(6,934,567)	(2,989,799)
	11,529,378	5,105,830	19,870,059	10,231,573
Revenue from wholesale	102,214	124,921	203,924	415,159
Revenue from online merchandise	57,238	–	57,238	–
	$ 11,688,830	$ 5,230,751	$ 20,131,221	$ 10,646,732

For the three and six-month periods ended February 28, 2023, the Company has generated 95% of its cannabis revenues from two provincial distributors (Quebec and Ontario) (2022 – 90% from one provincial distributor (Quebec)).

(Unaudited - in Canadian dollars)

13. Segment disclosures (continued)

(e) Source of services revenues

The Company generated services revenues from cannabis production services. For the three and six-month periods ended February 28, 2022, the Company has generated all of its management services-related revenues with one customer. During the second fiscal quarter of 2023, the Company terminated this agreement and plans to use the additional production capacity for its own purposes.

14. Related parties

(a) Key management personnel compensation

Key management personnel are the people who have the authority and responsibility for planning, directing and controlling the business activities of the Company and include all of its directors and chief executives.

The compensations of key management personnel, including directors' fees, salaries and benefits were as follows:

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Salaries and benefits	$ 210,000	$ 107,500	$ 420,000	$ 215,000
Share-based compensation	417,965	50,233	906,151	76,741
Board of Directors' fees	17,500	17,500	35,000	35,000
	$ 645,465	$ 175,233	$ 1,361,151	$ 326,741

(b) Other transactions with related parties

Related parties include entities related by virtue of key management personnel and directors exercising significant influence or control over the entities' financial and operating policies.

The following provides the transaction amounts by nature with related parties:

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Nature of transactions:				
Other income (i)	$ –	$ –	$ –	$ (937)
Acquisition of property, plant and equipment (i)	17,246	39,566	17,246	39,566
Interest on convertible debentures (i)	96,755	106,918	207,772	430,582
Debt guarantee fees (i) (iii)	93,750	82,294	187,500	82,294
	$ 207,751	$ 228,778	$ 412,518	$ 551,505

(Unaudited - in Canadian dollars)

14. Related parties (continued)

(b) Other transactions with related parties (continued)

		February 28, 2023		August 31, 2022
Balances due to related parties are as follows:				
Accounts payable and accrued liabilities (i) (ii)	$	(568,449)	$	(894,781)
Accounts payable to key management personnel (ii)		(82,302)		(52,614)
Accounts payable to Board of Directors members		(15,269)		(15,230)
Convertible debentures (i)		(5,700,000)		(10,700,000)

(i) The Company has a Board of Directors member who is a shareholder in an entity with which the Company entered into various transactions with for the financing of the Farnham and Valleyfield Facilities.

(ii) Accounts payable relate to accrued salary and vacation for key management personnel. Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.

(iii) As part of the financing closed in the prior year, a related party is providing certain guarantees to the lenders on the debt financing and is charging the Company a fee in exchange.

15. Cash flow information

Net change in non-cash working capital items:

		Three-month periods ended				Six-month periods ended		
		February 28, 2023		February 28, 2022		February 28, 2023		February 28, 2022
Accounts receivable	$	(2,514,251)	$	514,030	$	325,366	$	(245,693)
Sales tax receivable		557,817		(297,912)		253,574		(78,872)
Lease receivable		32,396		32,397		64,792		59,832
Biological assets		(4,414,700)		(2,191,697)		(8,140,042)		(3,707,959)
Inventory		2,572,301		681,799		1,417,798		1,088,951
Prepaid expenses and other assets		(487,220)		(189,560)		(420,482)		(303,181)
Accounts payable and accrued liabilities		2,551,911		(95,707)		2,200,489		165,020
Deferred lease revenue		158,888		(2,480)		459,793		281,592
Deferred grant income		(9,685)		(9,525)		(19,370)		120,596
Deferred revenue		39,944		–		32,857		–
	$	(1,512,599)	$	(1,558,655)	$	(3,825,225)	$	(2,619,714)

(Unaudited - in Canadian dollars)

15. Cash flow information (continued)

Supplemental information in the condensed interim consolidated statement of cash flows:

	Three-month periods ended		Six-month periods ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Variation of property, plant and equipment Included in accounts payable and accrued liabilities	(769,302)	(486,222)	(559,692)	(268,553)
Addition to right-of-use assets and lease liabilities	99,944	25,190	99,944	25,190
Issuance of shares upon conversion of convertible debenture	4,717,783	–	4,717,783	–

16. Subsequent events

Stock options grant

Subsequent to quarter-end, the Company granted a total of 20,000 stock options to certain employees at an exercise price of $1.80 per common share, subject to certain vesting conditions in accordance with the employee share option plan.

NCIB

Subsequent to quarter-end, the Company purchased 88,000 common shares having an average book value of $86,064 for cash consideration of $74,015. All shares purchased were cancelled.