TSXV: LOVE OTCQB: LOVFF FRA: 8CB0

CANNARA BIOTECH INC.

Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended

February 28, 2025 and February 29, 2024
(Unaudited)

CANNARA BIOTECH INC.

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(Unaudited)

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Financial Position
As at February 28, 2025 and August 31, 2024
(Unaudited - in Canadian dollars)

	February 28, 2025	August 31, 2024
Assets		
Current assets		
Cash	$ 5,055,325	$ 6,620,387
Accounts receivable	15,566,003	13,036,873
Biological assets (note 4)	6,248,399	6,649,591
Inventory (note 5)	39,177,929	33,423,515
Assets held for sale (note 3)	4,897,564	4,897,564
Prepaid expenses and other assets	4,265,200	2,845,914
	75,210,420	67,473,844
Deposits	46,323	256,323
Deposits on property, plant and equipment	354,778	99,381
Property, plant and equipment (note 6)	85,296,093	84,340,705
Right-of-use asset (note 7)	499,694	595,218
Deferred tax asset	–	1,954,502
	$ 161,407,308	$ 154,719,973
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 11,503,687	$ 9,842,023
Excise tax payable	3,630,496	6,097,043
Sales tax payable	1,701,892	1,423,245
Deferred lease revenue	369,914	85,830
Revolving credit facilities (note 8)	6,759,298	6,259,298
Current portion of convertible debenture (note 8)	4,942,147	1,000,000
Current portion of long-term debt (note 8)	322,264	–
Current portion of deferred grant income	62,416	48,988
Current portion of lease liabilities (note 7)	302,335	279,612
Current portion of term loan (note 8)	2,457,451	1,965,961
	32,051,900	27,002,000
Long-term debt (note 8)	56,576	–
Lease liabilities (note 7)	251,300	368,537
Convertible debenture (note 8)	1,892,677	5,442,350
Deferred grant income	900,326	944,962
Term loan (note 8)	31,877,672	33,010,635
Deferred income tax liability	188,392	–
	67,218,843	66,768,484
Shareholders' equity		
Share capital	89,764,540	88,523,025
Contributed surplus	11,701,434	12,326,377
Deficit	(7,277,509)	(12,897,913)
Total equity	94,188,465	87,951,489
Contingencies (note 14)		
Subsequent events (note 18)		
	$ 161,407,308	$ 154,719,973

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statement of Net Income (Loss)
For the three and six-month periods ended February 28, 2025 and February 29, 2024
(Unaudited)

	Three-month periods ended		Six-month periods ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Revenue				
Revenue from sale of goods (note 15)	$ 36,773,886	$ 26,274,164	$ 71,672,647	$ 52,603,249
Excise taxes	(11,274,302)	(7,527,099)	(22,172,371)	(15,339,052)
Net revenue from sale of goods	25,499,584	18,747,065	49,500,276	37,264,197
Lease revenues (note 15)	959,445	914,310	1,913,563	1,823,706
Other income	127,128	21,828	242,732	78,594
	26,586,157	19,683,203	51,656,571	39,166,497
Cost of revenues				
Cost of goods sold (note 5)	15,649,408	12,442,245	30,853,361	23,917,387
Lease operating costs	104,140	99,682	188,837	172,117
Gross profit before fair value adjustments	10,832,609	7,141,276	20,614,373	15,076,993
Changes in fair value of inventory sold	(6,855,245)	(5,799,042)	(12,773,976)	(12,023,708)
Unrealized gain on changes in fair value of biological assets (note 4)	7,978,224	2,798,264	14,294,076	9,322,569
Gross profit	11,955,588	4,140,498	22,134,473	12,375,854
Operating expenses				
General and administrative (note 11)	2,726,610	2,609,129	5,399,312	4,972,491
Research and development	171,446	319,942	343,135	530,132
Selling, marketing and promotion	2,340,678	1,658,103	4,569,412	2,951,137
Professional and legal fees	262,823	354,136	533,178	589,117
Share-based compensation (note 10)	295,168	932,135	616,572	1,212,706
Amortization (notes 6 and 7)	281,637	226,600	562,350	635,792
Loss on disposal of property, plant and equipment (note 6)	–	–	1,209	5,380
	6,078,362	6,100,045	12,025,168	10,896,755
Operating income (loss)	5,877,226	(1,959,547)	10,109,305	1,479,099
Net finance expense (note 12)	1,147,842	1,487,073	2,346,007	2,818,440
Net income (loss) before income taxes	4,729,384	(3,446,620)	7,736,298	(1,339,341)
Deferred income tax expense	1,414,843	–	2,142,894	–
Net income (loss)	$ 3,314,541	$ (3,446,620)	$ 5,620,404	$ (1,339,341)
Basic earnings (loss) and diluted earnings (loss) per share	$ 0.04	$ (0.04)	$ 0.06	$ (0.01)
Weighted average number of:				
common shares, basic	90,560,558	90,019,007	90,288,258	90,119,934
common shares, diluted	92,253,849	90,019,007	91,922,025	90,119,934

See accompanying notes to condensed interim consolidated financial statements.

CANNARA BIOTECH INC.

Condensed Interim Consolidated Statements of Changes in Equity
For the six-month period ended February 28, 2025 and February 29, 2024
(Unaudited - in Canadian dollars)

	Shares	Share capital	Contributed surplus	Deficit	Total equity
As at August 31, 2024	90,018,952	$ 88,523,025	$ 12,326,377	$ (12,897,913)	$ 87,951,489
Net income	–	–	–	5,620,404	5,620,404
Share-based compensation (note 10)	–	–	616,572	–	616,572
Settlement of restricted shares units (note 10)	1,414,183	1,241,515	(1,241,515)	–	–
As at February 28, 2025	91,433,135	$ 89,764,540	$ 11,701,434	$ (7,277,509)	$ 94,188,465

	Shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive gain	Total equity
As at August 31, 2023	90,305,852	$ 88,803,613	$ 10,349,568	$ (19,339,846)	$ (69,291)	$ 79,744,044
Net loss	–	–	–	(1,339,341)	–	(1,339,341)
Share-based compensation (note 10)	–	–	1,212,706	–	–	1,212,706
Repurchase and cancellation of common shares under NCIB (note 9)	(286,900)	(280,588)	–	3,449	–	(277,139)
As at February 29, 2024	90,018,952	$ 88,523,025	$ 11,562,274	$ (20,675,738)	$ (69,291)	$ 79,340,270

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, 2025 and February 29, 2024
(Unaudited - in Canadian dollars)

	Three-month periods ended		Six-month periods ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Cash provided by (used in):				
Operating:				
Net income (loss)	$ 3,314,541	$ (3,446,620)	$ 5,620,404	$ (1,339,341)
Items not involving cash:				
Changes in fair value of inventory sold	6,855,245	5,799,042	12,773,976	12,023,708
Unrealized gain on changes in fair value of biological assets (note 4)	(7,978,224)	(2,798,264)	(14,294,076)	(9,322,569)
Amortization of property, plant and equipment (note 6)	1,562,366	1,393,717	3,045,450	2,951,344
Amortization of right-of-use assets (note 7)	72,666	60,622	143,160	119,185
Loss on disposal of property, plant and equipment	–	–	1,209	5,380
Gain (loss) on convertible debenture extension (note 8)	26,764	(11,218)	26,764	(11,218)
Interest on lease liabilities (note 12)	13,120	12,656	26,824	25,246
Interest expense (note 12)	910,819	1,011,386	1,897,755	2,005,103
Interest income (note 12)	(67,763)	(34,343)	(129,178)	(89,803)
Income taxes expense	1,414,843	–	2,142,894	–
Share-based compensation (note 10)	295,168	932,135	616,572	1,212,706
Accretion and amortization of financing costs (note 12)	47,592	298,552	97,646	499,804
Net change in non-cash operating working capital items (note 17)	(9,017,167)	(453,981)	(8,684,967)	(4,908,532)
	(2,550,030)	2,763,684	3,284,433	3,171,013
Financing:				
Proceeds from credit facilities (note 8)	–	1,000,000	500,000	3,500,000
Debt financing issuance costs (note 8)	(190,620)	–	(190,620)	–
Repayment of term loan (note 8)	–	(491,491)	(491,491)	(982,981)
Payment of debt guarantee fees	–	(375,000)	–	(375,000)
Interest paid on debt instruments (note 8)	(847,270)	(1,204,086)	(1,718,375)	(2,162,475)
Payment of interest on letter of credit	(58,884)	(53,695)	(108,319)	(106,806)
Lease payments	(86,186)	(68,596)	(168,974)	(98,566)
Other long-term debt payments	(76,153)	–	(101,160)	–
Net purchase of shares under NCIB (note 9)	–	(4,312)	–	(277,139)
	(1,259,113)	(1,197,180)	(2,278,939)	(502,968)
Investing:				
Deposits on property, plant and equipment	(309,938)	(89,498)	(656,131)	(249,467)
Acquisitions of property, plant and equipment (note 6)	(1,158,795)	(1,029,900)	(2,029,871)	(3,643,549)
Disposal of property, plant and equipment (note 6)	–	–	3,068	4,975
Interest received	72,016	44,138	112,378	80,108
	(1,396,717)	(1,075,260)	(2,570,556)	(3,807,933)
Net change in cash	(5,205,860)	491,244	(1,565,062)	(1,139,888)
Cash, beginning of period	10,261,185	2,639,385	6,620,387	4,270,517
Cash, end of period	$ 5,055,325	$ 3,130,629	$ 5,055,325	$ 3,130,629

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 primarily for the Canadian market. 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" on the TSX Venture Exchange (the "TSXV") in Canada, "LOVFF" on the OTCQB Venture Market in the United States and "8CB0" 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 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 has been designed to replicate the indoor cultivation environment. 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, activating 10 growing zones to-date, measuring a total of 250,000 square feet of active growing capacity. The Company sells its products under three flagship brands: Tribal, Nugz and Orchid CBD.

The Company generated a net income of approximately $5.6 million during the six-month period ended February 28, 2025 (2024 – a net loss of $1.3 million) and has a deficit of approximately $7.3 million as at February 28, 2025 (August 31, 2024 - $12.9 million). The Company expects that its existing cash resources of $5.1 million as at February 28, 2025, along with the forecasted cash flows and available undrawn credit facilities (note 8), will enable it to fund its planned operating expenses for at least the next twelve months from February 28, 2025.

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 like funds from the disposal of assets held for sale.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board 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 25, 2025.

(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, 2024. 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, 2024.

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.

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, 2024.

(Unaudited - in Canadian dollars)

3. Assets held for sale

In January 2024, management committed to a plan to sell a parcel of land at its Valleyfield site that was unused in addition to the building under construction adjacent to the land parcel that was previously intended to be leased out.

As at February 28, 2025, a total of $4,897,564 for the building under construction and the land on which it is being constructed remain in assets held for sale and continues to be actively marketed for sale.

4. 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, 2023	$	5,774,121
Production costs capitalized		20,128,710
Change in fair value due to biological transformation, less cost to sell		25,550,941
Transferred to inventory upon harvest		(44,804,181)
Carrying amount, August 31, 2024	$	6,649,591
Production costs capitalized		10,630,991
Change in fair value due to biological transformation, less cost to sell		14,294,076
Transferred to inventory upon harvest		(25,326,259)
Carrying amount, February 28, 2025	$	6,248,399

As at February 28, 2025, it is expected that the Company’s biological assets will yield approximately 8,924 kilograms of dried cannabis when harvested (As at August 31, 2024 - 9,150 kilograms of dried cannabis).

4. Biological assets (continued)

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

- expected average 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); and
- 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.

Because there is no actively traded commodity market for cannabis plants and dried product, 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, 2025.

(Unaudited - in Canadian dollars)

4. Biological assets (continued)

Management's identified significant unobservable inputs, their values and sensitivity analysis are presented in the table below. 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. 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, 2025:

Unobservable inputs	Input values	Sensitivity analysis
Selling price Represents the average expected retail selling price per gram of dried cannabis, excluding excise taxes, where applicable, which is expected to approximate future retail selling prices. The average selling price varies depending on the estimated products.[1]	Weighted average of \$2.99 per gram of dried cannabis packaged (August 31, 2024 –\$2.88 per gram for retail selling price and \$1.50 for wholesale price)	An increase or decrease of 5% applied to the selling price would result in a change of approximately \$631,000 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.	88 grams per plant (August 31, 2024 – 85 grams per plant)	An increase or decrease of 15% applied to the average yield per plant would result in a change of approximately \$937,000 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 45% (August 31, 2024 - 47%)	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately \$312,000 to the valuation.

[1] During the first quarter of 2025, management reviewed its selling price assumptions used in its model using a unique selling price approach to reflect the expected retail selling price per gram of dried flower for plants to be harvested. This change in estimate was applied prospectively.

(Unaudited - in Canadian dollars)

5. Inventory

Inventory consists of the following:

			February 28, 2025
	Capitalized cost	Fair value adjustment[1]	Total
Raw materials - cultivation and supplies	$ 5,073,481	$ –	$ 5,073,481
Finished goods – cannabis accessories	574,532	–	574,532
Harvested cannabis			
Dried cannabis and work-in-progress	10,752,712	10,145,801	20,898,513
Finished goods	1,398,296	564,527	1,962,823
Derivative products			
Derivatives products and work-in-progress	6,326,476	2,359,336	8,685,812
Finished goods	1,729,539	253,229	1,982,768
	$ 25,855,036	$ 13,322,893	$ 39,177,929

			August 31, 2024
	Capitalized cost	Fair value adjustment[1]	Total
Raw materials - cultivation and supplies	$ 3,947,915	$ –	$ 3,947,915
Finished goods – cannabis accessories	522,233	–	522,233
Harvested cannabis			
Dried cannabis and work-in-progress	8,462,992	8,667,986	17,130,978
Finished goods	1,763,282	773,295	2,536,577
Derivative products			
Derivative products and work-in-progress	5,594,497	1,821,557	7,416,054
Finished goods	1,685,110	184,648	1,869,758
	$ 21,976,029	$ 11,447,486	$ 33,423,515

[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, 2025 was $15,649,408 and $30,853,361 (2024 – $12,442,245 and $23,917,387), including an impairment loss on inventory of $474,418 and $831,083 (2024 – $199,792 and $923,369) for cannabis where costs exceed its net realizable value.

(Unaudited - in Canadian dollars)

6. 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, 2024	$ 2,330,099	$ 76,710,294	$ 16,346,551	$ 1,733,228	$ 42,140	$ 2,528,937	$ 4,708,667	$ 104,399,916
Additions	–	497,819	2,461,197	181,506	–	30,195	735,102	3,905,819
Transfer	–	234,547	38,048	–	–	–	(272,595)	–
Disposal	–	–	(6,104)	–	–	–	–	(6,104)
Balance as at February 28, 2025	$ 2,330,099	$ 77,442,660	$ 18,839,692	$ 1,914,734	$ 42,140	$ 2,559,132	$ 5,171,174	$ 108,299,631
Accumulated amortization								
Balance as at August 31, 2024	$ –	$ (13,193,888)	$ (4,662,315)	$ (1,264,345)	$ (24,865)	$ (913,798)	$ –	$ (20,059,211)
Amortization	–	(1,765,353)	(884,266)	(168,898)	(4,214)	(123,423)	–	(2,946,154)
Disposal	–	–	1,827	–	–	–	–	1,827
Balance as at February 28, 2025	$ –	$ (14,959,241)	$ (5,544,754)	$ (1,433,243)	$ (29,079)	$ (1,037,221)	$ –	$ (23,003,538)
Net book value								
Balance as at February 28, 2025	$ 2,330,099	$ 62,483,419	$ 13,294,938	$ 481,491	$ 13,061	$ 1,521,911	$ 5,171,174	$ 85,296,093

For the three-month period ended February 28, 2025, the assets included in construction in progress represents the unused portion of the Valleyfield Facility, related capital expenditures for the activation and redesign of two new growing zones and for the build-out of a portion of the post-processing area. The costs are transferred to other categories as the assets become available or ready for use. As part of its real estate segment, the Company used the non-cannabis licensed area of the Farnham building to generate lease revenues. As at February 28, 2025, a carrying value of $10,156,926 related to the Farnham building is recognized as an investment property (As at August 31, 2024 - $10,156,926). The fair value of the Farnham building is not reliably measure on a continuous basis, as such the fair value of the building is not known, and it was measured using the cost model as per IAS 16, *Property, plant and equipment*.

(Unaudited - in Canadian dollars)

6. 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, 2023	$ 2,452,085	$ 75,479,394	$ 14,490,667	$ 1,626,042	$ 40,440	$ 2,407,859	$ 6,731,664	$ 103,228,151
Additions	–	708,622	1,678,004	107,186	3,700	86,446	3,573,475	6,157,433
Transfer	–	522,278	202,991	–	–	34,632	(759,901)	–
Disposal	–	–	(25,111)	–	(2,000)	–	–	(27,111)
Reclass asset held for sale	(121,986)	–	–	–	–	–	(4,836,571)	(4,958,557)
Balance as at August 31, 2024	$ 2,330,099	$ 76,710,294	$ 16,346,551	$ 1,733,228	$ 42,140	$ 2,528,937	$ 4,708,667	$ 104,399,916
Accumulated amortization								
Balance as at August 31, 2023	$ –	$ (9,503,932)	$ (2,831,044)	$ (948,334)	$ (17,025)	$ (668,119)	$ –	$ (13,968,454)
Amortization	–	(3,689,956)	(1,836,031)	(316,011)	(8,327)	(245,679)	–	(6,096,004)
Disposal	–	–	4,760	–	487	–	–	5,247
Balance as at August 31, 2024	$ –	$ (13,193,888)	$ (4,662,315)	$ (1,264,345)	$ (24,865)	$ (913,798)	$ –	$ (20,059,211)
Net book value								
Balance as at August 31, 2024	$ 2,330,099	$ 63,516,406	$ 11,684,236	$ 468,883	$ 17,275	$ 1,615,139	$ 4,708,667	$ 84,340,705

During the three and six-month periods ended February 28, 2025, the Company recognized $1,474,429 and $2,946,154 (2024 - $1,393,717 and $2,951,344) as amortization expense, of which $208,971 and $419,190 (2024 - $165,978 and $516,607) have been recognized in the consolidated statement of income (loss) and $1,265,458 and $2,526,964 (2024 - $1,227,739 and $12,434,737) have been included in the calculation of the biological assets and inventory valuation and for which some lots were ultimately used for research and development.

(Unaudited - in Canadian dollars)

7. Right-of-use assets and lease liabilities

(a) Right-of-use assets

	February 28, 2025	August 31, 2024
Cost		
Balance, beginning of period	$ 987,986	$ 312,974
Additions	47,636	675,012
Balance, end of period	$ 1,035,622	$ 987,986
Accumulated depreciation		
Balance, beginning of period	$ (392,768)	$ (135,957)
Amortization	(143,160)	(256,811)
Balance, end of period	$ (535,928)	$ (392,768)
Net book value		
Balance, end of period	$ 499,694	$ 595,218

(b) Lease liabilities

	February 28, 2025	August 31, 2024
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	$ 338,770	$ 323,762
One to five years	282,755	390,461
Total undiscounted lease liabilities	$ 621,525	$ 714,223
Current	$ 302,335	$ 279,612
Non-current	251,300	368,537
Lease liabilities included in the condensed interim consolidated statement of financial position	$ 553,635	$ 648,149

Balance as at August 31, 2024	$ 648,149
Additions	47,636
Lease payments	(168,974)
Interest on lease liabilities	26,824
Balance as at February 28, 2025	$ 553,635

(Unaudited - in Canadian dollars)

8. Financing

(a) Revolving credit facilities

	February 28, 2025	August 31, 2024
Net carrying value, beginning of period	$ 6,259,298	$ 3,000,000
Proceeds from revolving credit facilities	500,000	5,700,000
Repayment of revolving credit facilities	–	(2,440,702)
Net carrying value, end of period	$ 6,759,298	$ 6,259,298

	2025	Expiry date
Revolving credit facility A	$ 1,298	2025-03-31
Revolving credit facility B	6,258,000	2025-03-26
Revolving credit facility C	500,000	2025-03-09
Net carrying value, end of period	$ 6,759,298	

The Company has access to a $10 million revolving credit facility which is intended to be used for general working capital purposes. Each tranche drawn on the revolving credit facility has either a 30, 60 or 90-day term depending on management's decision and can be renewed by the Company at the end of the period.

The revolving credit facilities bear variable interest rates based on prime rate or the Canadian overnight repo rate average ("CORRA") plus an applicable margin based on the credit agreement. As at February 28, 2025, the weighted average interest rate on the revolving credit facilities was 6.77% (As at August 31, 2024 – 8.28%).

As part of the term loan extension (note 8 (b)), the term of the revolving credit facilities were also extended until December 31, 2027, and have the same securities, guarantees and covenants to respect as the term loan. The revolving credit facilities are classified as a current liability as are being managed and expected to be settled by the Company in its normal operating cycle.

For the three and six-month periods ended February 28, 2025, the Company recognized $117,522 and $246,946 as interest expense for the revolving credit facilities. As at February 28, 2025, accrued interest of $67,499 was included in account payables and accrued liabilities (As at August 31, 2024 – $92,019).

(Unaudited - in Canadian dollars)

8. Financing (continued)

(b) Term loan

		February 28, 2025		August 31, 2024
Net carrying value, beginning of period	$	34,976,596	$	36,854,235
Repayment of term loan		(491,491)		(1,965,961)
Addition of term loan issuance costs		(190,620)		(198,267)
Amortization of deferred financing costs		40,638		286,589
Net carrying value, end of period	$	34,335,123	$	34,976,596
Term loan [(i)]	$	34,895,810	$	35,387,301
Less: unamortized financing costs		(560,687)		(410,705)
		34,335,123		34,976,596
Short-term portion of term loan		(2,457,451)		(1,965,961)
	$	31,877,672	$	33,010,635

[(i)] The term loan bears a variable interest rate based on prime and/or CORRA rates. As at February 28, 2025, the interest on the term loan was 6.95% (As at August 31, 2024 – 8.45%). The term loan is reimbursable quarterly. On February 21, 2025, the Company extended the term of the term loan until December 31, 2027. As part of this extension, the Company incurred $190,620 in fees that were recorded as deferred financing fees.

The term loan is secured by a first ranking mortgage against the Farnham and Valleyfield facilities, 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 16 (b)).

As part of the financing agreement, the lender also issued a $5.5 million letter of credit to a provincial service provider to fund certain deposit requirements as part of the Valleyfield acquisition in 2021. A fee is charged in exchange of this services (note 12).

For the three and six-month periods ended February 28, 2025, the Company recognized $622,986 and $1,326,851 as interest expense for the term loan (2024 – $815,368 and $1,643,210). As at February 28, 2025, accrued interest of $160,067 was included in account payables and accrued liabilities (August 31, 2024 - $264,869).

The Company has to respect financial covenants such as (a) maintaining a certain liquidity coverage at all the times, (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 3.5 to 1.0 at each quarter-end. As at February 28, 2025, the Company met all of the imposed covenants.

(Unaudited - in Canadian dollars)

8. Financing (continued)

(c) Convertible debenture

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

		February 28, 2025		August 31, 2024
Net carrying value, beginning of period	$	6,442,350	$	5,753,133
Loss (gain) on modification of convertible debenture		26,764		(11,218)
Interest expense		308,702		317,692
Accretion and amortization of deferred issuance costs		57,008		382,743
Net carrying value, end of period	$	6,834,824	$	6,442,350
Short-term portion of convertible debenture		(4,942,147)		(1,000,000)
	$	1,892,677	$	5,442,350

On January 27, 2025, the Company modified the maturity of the $5,700,000 convertible debenture from September 30, 2025 to March 31, 2028. The impact of the convertible debenture modification resulted in a loss of $26,764 which was recognized in net finance expense. The convertible debenture bears interest at an annual rate of 10.75%, compounded semi-annually.

On September 30, 2025, all interest accrued until that date can be paid in cash or in common shares at the choice of the Company. Any interest incurred following September 30, 2025 are payable in cash on a quarterly basis.

As part of the amended agreement, the original $1,000,000 repayment due date was extended from January 30, 2025 to the availability of the second quarterly financial statements results and compliance with the quarterly covenants. A second partial repayment of $2,350,000 is due on September 30, 2025 and the remaining balance will be due at the end of the term.

On January 21, 2025, pursuant to an agreement signed with a related party, a new unsecured convertible debenture is anticipated be issued on or about September 29, 2025 in the principal amount equal to the amount required to fund the second partial repayment on the original convertible debenture. The new unsecured convertible debenture will bear the same maturity date and interest rate as the original convertible debenture.

During the three and six-month periods ended February 28, 2025, the Company recognized $159,194 and $308,702 as interest expense (2024 - $62,349 and $124,357). As at February 28, 2025, accrued interest of $1,144,264 was included in the carrying amount of the convertible debenture (August 31, 2024 - $835,562).

(Unaudited - in Canadian dollars)

8. Financing (continued)

(c) Long-term debt

	February 28, 2025	August 31, 2024
Net carrying value, beginning of period	$ –	$ –
Addition of long-term debt	480,000	–
Repayment of long-term debt	(116,416)	–
Interest expense	15,256	–
Net carrying value, end of period	$ 378,840	$ –
Short-term portion of long-term debt	(322,264)	–
	$ 56,576	$ –

In October 2024, the Company entered into a financing agreement for the purchase of production equipment. The long-term debt is reimbursable monthly over 18 months and hold a 9% interest rate.

For the three and six-month periods ended February 28, 2025, the Company recognized $11,117 and $15,256 as interest expense for the long-term debt (2024 – nil).

9. Share Capital

(a) Authorized

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

(b) Transactions on share capital

NCIB

During the six-month period ended February 29, 2024, under its Normal Course Issuer Bid (“NCIB”), the Company purchased 286,900 common shares having an average book value of $280,588 for cash consideration of $277,139. The excess of the book value over the purchase price value of the shares of $3,449 was charged to deficit. All shares purchased were cancelled.

The 1-year NCIB period ended in December 2023.

(Unaudited - in Canadian dollars)

9. Share Capital (continued)

(c) Earnings (loss) per share

The calculation of basic earnings (loss) per share was calculated based on the net income (loss) attributable to common shareholders of the Company divided by the weighted average number of common shares outstanding during the period, while the diluted earnings (loss) per share was adjusted for the effects of potential dilutive common shares such as share options, restricted share units and convertible debentures.

The calculations for basic and diluted earnings (loss) per share for the three and six-month periods ended February 28, 2025 and February 29, 2024 was as follows:

	Three-month periods ended		Six-month periods ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Net income (loss)	$ 3,314,541	$ (3,446,620)	$ 5,620,404	$ (1,339,341)
Issued common shares, beginning of the period	90,018,952	90,023,952	90,018,952	90,305,852
Repurchase and cancellation of common shares under NCIB	–	(4,945)	–	(185,918)
Effect of restricted share units settled for common shares	541,606	–	269,306	–
Weighted average number of common shares, basic	90,560,558	90,019,007	90,288,258	90,119,934
Impact of dilutive securities:				
Restricted share units	1,693,291	–	1,633,767	–
Weighted average number of common shares, diluted	92,253,849	90,019,007	91,922,025	90,119,934
Earning (loss) per share:				
basis	$ 0.04	$ (0.04)	$ 0.06	$ (0.01)
diluted	$ 0.04	$ (0.04)	$ 0.06	$ (0.01)

For the three and six-month periods ended February 28, 2025, the Company excluded the following instruments from the weighted average number of diluted common shares calculation as their effect would have been anti-dilutive: 5,056,655 share options, and 3,166,667 shares potentially to be issued under the convertible debentures that may potentially dilute earnings per share in the future (2024 – 4,538,300 share options, 1,504,183 RSUs and 3,166,667 shares as-if the convertible debentures were converted).

(Unaudited - in Canadian dollars)

10. 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 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 Restricted Share Units 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.

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 seven 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, 2025 and February 29, 2024 was as follows:

	February 28, 2025			February 29, 2024		
	Number		Weighted average exercise price	Number		Weighted average exercise price
Outstanding, beginning of period	4,539,687	$	1.59	3,831,945	$	1.65
Granted	640,000		1.14	724,000		1.28
Forfeited	(76,842)		1.80	(2,500)		1.80
Expired	(46,190)		1.80	(15,145)		1.80
Outstanding, end of period	5,056,655		1.52	4,538,300		1.59
Exercisable, end of period	3,584,215	$	1.60	2,515,837	$	1.63

(Unaudited - in Canadian dollars)

10. Share-based compensation (continued)

(a) Stock option plan (continued)

During the first quarter of 2025, the Company granted 525,000 options at an exercise price of $1.00 and 115,000 options at an exercise price of $1.80 to certain employees subject to certain vesting conditions in accordance with the employee share option plan.

During the second quarter of 2024, the Company granted 99,000 options at an exercise price of $1.80 and 625,000 options at an exercise price of $1.20 to certain employees subject to certain vesting conditions in accordance with the Company's employee share option plan. In addition, the board of directors approved the extension of the expiry date from 5 to 7 years for 2,435,000 stock options exercisable at $1.80 per share and 750,000 stock options exercisable at $1.00 per share of the key management and the members of the board of directors. These options now expire between December 17, 2025 and September 29, 2029. The impact of the extension resulted in an additional charge of $516,237 which was included in the share-based compensation expense of the period.

During the three and six-month periods ended February 28, 2025, the Company recorded a share-based compensation expense of $64,501 and $159,224 in the consolidated statement of net income (loss) (2024 – $720,065 and $912,341).

The share options forfeited relate to the share options held by directors and/or employees that are no longer part of the Company and by consultants that do not continue to provide services to the Company. 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 period ended
	February 28, 2025	February 29, 2024
Share price (i)	$ 0.68	$ 0.85
Exercise price	$ 1.14	$ 1.28
Risk-free interest rate (ii)	3.18%	3.52%
Expected life (iii)	7 years	7 years
Expected price volatility (iv)	73%	89%
Fair value of the option	$ 0.42	$ 0.63
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)

10. 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
April 14, 2025	$	1.80	8,000	8,000
May 4, 2025		1.80	40,000	40,000
July 24, 2025		1.80	22,500	22,500
December 15, 2025		1.80	25,600	25,600
December 17, 2025		1.80	65,000	65,000
February 1, 2026		1.80	20,000	20,000
May 1, 2026		1.80	60,000	60,000
July 27, 2026		1.80	2,500	2,238
December 7, 2026		1.80	6,000	4,750
January 16, 2027		1.80	15,000	15,000
April 26, 2027		1.80	7,500	5,307
July 24, 2027		1.80	325,000	325,000
July 26, 2027		1.80	105,000	67,805
September 29, 2027		1.80	77,500	46,819
November 10, 2027		1.80	25,000	25,000
November 24, 2027		1.80	10,000	5,622
January 20, 2028		1.80	15,000	7,806
February 1, 2028		1.80	30,000	30,000
April 21, 2028		1.80	10,000	4,580
July 26, 2028		1.80	201,874	81,036
July 27, 2028		1.80	20,000	17,918
December 7, 2028		1.80	545,413	451,654
September 29, 2029		1.51	2,066,768	2,051,918
December 06, 2030		1.25	688,000	200,662
April 29, 2031		1.80	25,000	–
November 21, 2031		1.14	640,000	–
			5,056,655	3,584,215

(Unaudited - in Canadian dollars)

10. Share-based compensation (continued)

(b) Restricted Share Units

The Company has established a Restricted Share Units Plan that 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. Under the Restricted Share Units Plan, the Company may grant to certain personnel restricted share units without performance conditions ("RSU") or restricted share units with performance conditions ("PSU"). The restricted share units are time-based awards, and the numbers of share units granted will vest upon the continuous employment of the Participants on the second anniversary of the grant or as approved by the Board of Directors, without exceeding five years, and when applicable, if the performance conditions are met. Pursuant to the terms of the Restricted Share Units Plan, Participants will receive for no consideration, upon vesting of the RSUs or PSUs, common shares of the Company issued from treasury.

The outstanding RSUs for the six-month periods ended February 28, 2025 and February 29, 2024 are as follows:

	February 28, 2025		February 29, 2024	
	Number	Weighted average fair value	Number	Weighted average fair value
Outstanding, beginning of period	1,504,183	$ 0.88	789,183	$ 0.90
Granted	90,000	0.68	715,000	0.85
Settled	(1,414,183)	0.88	–	–
Outstanding, end of period	180,000	$ 0.77	1,504,183	$ 0.87

Vesting date	Number outstanding
December 6, 2025	90,000
November 22, 2026	90,000
	180,000

During the second quarter of 2025, the Company settled 1,414,183 RSUs for common shares. As a result, the book value of the RSUs totalling $1,241,515 was reclassed from contributed surplus to share capital.

(Unaudited - in Canadian dollars)

10. Share-based compensation (continued)

(b) Restricted Share Units (continued)

The outstanding PSUs for the six-month periods ended February 28, 2025 and February 29, 2024 are as follows:

	February 28, 2025 Number	February 28, 2025 Weighted average fair value	February 29, 2024 Number	February 29, 2024 Weighted average fair value
Outstanding, beginning of period	–	$ –	–	$ –
Granted	625,000	0.68	–	–
Outstanding, end of period	625,000	$ 0.68	–	$ –

Vesting date	Number outstanding
January 1, 2026	625,000
	625,000

During the six-month period ended February 28, 2025, the Company granted 90,000 RSUs without performance conditions and 625,000 PSUs with performance conditions which are exercisable for no consideration (2024 – 725,000 RSUs without performance condition).

During the three and six-month periods ended February 28, 2025, the Company recorded a share-based compensation expense of $230,667 and $457,348 in the consolidated statement of net income (loss) (2024 – $212,070 and $300,365).

11. General and administrative

	Three-month periods ended February 28, 2025	Three-month periods ended February 29, 2024	Six-month periods ended February 28, 2025	Six-month periods ended February 29, 2024
Salaries and benefits	$ 1,252,965	$ 1,108,572	$ 2,404,860	$ 2,208,804
Administrative and regulatory expense	1,041,791	893,192	2,058,491	1,887,833
Facility expense	431,854	607,365	935,961	875,854
General and administrative	$ 2,726,610	$ 2,609,129	$ 5,399,312	$ 4,972,491

(Unaudited - in Canadian dollars)

12. Net finance expense

	Three-month periods ended		Six-month periods ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Interest income	$ 67,763	$ 34,343	$ 129,178	$ 89,803
Gain on convertible debenture extension	–	11,218	–	11,218
Finance income	67,763	45,561	129,178	101,021
Interest on term loan	622,986	815,368	1,326,851	1,643,210
Interest on credit facilities	117,522	133,669	246,946	237,536
Interest on convertible debentures	159,194	62,349	308,702	124,357
Interest on lease liabilities	13,120	12,656	26,824	25,246
Interest on other long-term debt	11,117	–	15,256	–
Fees related to letter of credit	47,466	53,018	97,816	106,129
Debt guarantee fees	93,750	93,750	187,500	187,500
Accretion and amortization of financing costs	47,592	298,552	97,646	499,804
Other finance expense	53,928	57,199	105,743	89,678
Loss on convertible debenture extension	26,764	–	26,764	–
Foreign exchange loss	22,166	6,073	35,137	6,001
Finance expense	1,215,605	1,532,634	2,475,185	2,919,461
Net finance expense	$ 1,147,842	$ 1,487,073	$ 2,346,007	$ 2,818,440

13. Financial instruments

Fair value measurements

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

The fair value of the revolving credit facilities, long-term debt, convertible debentures and term loan approximate their carrying amounts, as the interest rate approximates the current market rate.

14. 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, 2025, there are no material claims in favor or against the Company.

15. Segment disclosures

(a) Reportable segments

The Company operates in two segments: (1) Indoor cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives mainly for the Canadian market ("Cannabis operations") and (2) Real estate operations related to the Farnham 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, loss on disposal of property, plant and equipment and income tax. 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, 2024.

(Unaudited - in Canadian dollars)

15. Segment disclosures (continued)

(a) Reportable segments (continued)

	Three-month period ended February 28, 2025				Three-month period ended February 29, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	$ 36,773,886	$ –	$ –	$ 36,773,886	$ 26,274,164	$ –	$ –	$ 26,274,164
Excise taxes	(11,274,302)	–	–	(11,274,302)	(7,527,099)	–	–	(7,527,099)
Net revenue from sale of goods	25,499,584	–	–	25,499,584	18,747,065	–	–	18,747,065
Lease revenue	–	959,445	–	959,445	–	914,310	–	914,310
Other income	127,128	–	–	127,128	21,828	–	–	21,828
	25,626,712	959,445	–	26,586,157	18,768,893	914,310	–	19,683,203
Cost of revenues								
Cost of goods sold	15,649,408	–	–	15,649,408	12,442,245	–	–	12,442,245
Lease operating costs	–	104,140	–	104,140	–	99,682	–	99,682
Segment gross profit before fair value adjustments	9,977,304	855,305	–	10,832,609	6,326,648	814,628	–	7,141,276
Changes in fair value of inventory sold	(6,855,245)	–	–	(6,855,245)	(5,799,042)	–	–	(5,799,042)
Unrealized gain on changes in fair value of biological assets	7,978,224	–	–	7,978,224	2,798,264	–	–	2,798,264
Segment gross profit	11,100,283	855,305	–	11,955,588	3,325,870	814,628	–	4,140,498
Operating expenses	5,501,557	–	–	5,501,557	4,941,310	–	–	4,941,310
Segment operating income (loss)	5,598,726	855,305	–	6,454,031	(1,615,440)	814,628	–	(800,812)
Share-based compensation	–	–	295,168	295,168	–	–	932,135	932,135
Amortization	–	–	281,637	281,637	–	–	226,600	226,600
Net finance expense	–	–	1,147,842	1,147,842	–	–	1,487,073	1,487,073
Net income (loss) before income taxes	$ 5,598,726	$ 855,305	$ (1,724,647)	$ 4,729,384	$ (1,615,440)	$ 814,628	$ (2,645,808)	$ (3,446,620)

(Unaudited - in Canadian dollars)

15. Segment disclosures (continued)

(a) Reportable segments (continued)

	Six-month period ended February 28, 2025				Six-month period ended February 29, 2024			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Revenue								
Revenue from sale of goods	$ 71,672,647	$ –	$ –	$ 71,672,647	$ 52,603,249	$ –	$ –	$ 52,603,249
Excise taxes	(22,172,371)	–	–	(22,172,371)	(15,339,052)	–	–	(15,339,052)
Net revenue from sale of goods	49,500,276	–	–	49,500,276	37,264,197	–	–	37,264,197
Lease revenue	–	1,913,563	–	1,913,563	–	1,823,706	–	1,823,706
Other income	242,732	–	–	242,732	78,594	–	–	78,594
	49,743,008	1,913,563	–	51,656,571	37,342,791	1,823,706	–	39,166,497
Cost of revenues								
Cost of goods sold	30,853,361	–	–	30,853,361	23,917,387	–	–	23,917,387
Lease operating costs	–	188,837	–	188,837	–	172,117	–	172,117
Segment gross profit before fair value adjustments	18,889,647	1,724,726	–	20,614,373	13,425,404	1,651,589	–	15,076,993
Changes in fair value of inventory sold	(12,773,976)	–	–	(12,773,976)	(12,023,708)	–	–	(12,023,708)
Unrealized gain on changes in fair value of biological assets	14,294,076	–	–	14,294,076	9,322,569	–	–	9,322,569
Segment gross profit	20,409,747	1,724,726	–	22,134,473	10,724,265	1,651,589	–	12,375,854
Operating expenses	10,845,037	–	–	10,845,037	9,042,877	–	–	9,042,877
Segment operating income	9,564,710	1,724,726	–	11,289,436	1,681,388	1,651,589	–	3,332,977
Share-based compensation	–	–	616,572	616,572	–	–	1,212,706	1,212,706
Amortization	–	–	562,350	562,350	–	–	635,792	635,792
Loss on disposal of property, plant and equipment	–	–	1,209	1,209	–	–	5,380	5,380
Net finance expense	–	–	2,346,007	2,346,007	–	–	2,818,440	2,818,440
Net income (loss) before income taxes	$ 9,564,710	$ 1,724,726	$ (3,526,138)	$ 7,763,298	$ 1,681,388	$ 1,651,589	$ (4,672,318)	$ (1,339,341)

(Unaudited - in Canadian dollars)

15. Segment disclosures (continued)

(b) Entity-wide disclosures

All property, plant and equipment are located in Canada.

(c) Sources of lease revenues

As at February 28, 2025, the Company has leased 414,114 square feet of the total 625,000 available square feet at its Farnham Facility and 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, 2025 amounted to $176,160 and $357,232 (2024 - $150,040 and $297,698).
- The lease term for Tenant B is up to October 31, 2026 and could be extended for another period of two years at the option of the tenant at the end of the term. Lease revenues from this tenant for the three and six-month periods ended February 28, 2025 amounted to $783,285 and $1,556,331 (2024 - $764,270 and $1,526,008).

Income is generated from customers domiciled in Canada.

(d) Source of cannabis and cannabis accessories revenues

	Three-month periods ended		Six-month periods ended	
	February 28, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Revenue from Canadian retailers	$ 34,410,102	$ 24,091,692	$ 68,511,870	$ 49,469,058
Excise taxes	(11,274,302)	(7,527,099)	(22,172,371)	(15,339,052)
	23,135,800	16,564,593	46,339,499	34,130,006
Revenue from wholesale	2,296,623	2,057,932	3,036,315	2,703,465
Revenue from online merchandise	67,161	124,540	124,462	187,379
Revenue from Israel wholesale	–	–	–	243,347
	$ 25,499,584	$ 18,747,065	$ 49,500,276	$ 37,264,197

For the three and six-month periods ended February 28, 2025, the Company has generated 86% and 87% of its cannabis revenues from three provincial distributors (Quebec, Ontario and Alberta) (2024 – 86% and 88% from same three provincial distributors).

(Unaudited - in Canadian dollars)

16. 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, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Salaries and benefits	$ 243,750	$ 240,000	$ 487,500	$ 450,000
Share-based compensation	268,550	804,990	562,977	1,036,916
Board of Directors' fees	32,500	25,000	75,000	50,000
	$ 544,800	$ 1,069,990	$ 1,125,477	$ 1,536,916

(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, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Nature of transactions:				
Other expenses	$ –	$ 7,200	$ 7,200	$ 7,200
Interest on debt financing (i)	159,194	62,349	308,702	124,357
Debt financing guarantee fees (i) (iii)	93,750	93,750	187,500	187,500
	$ 252,944	$ 163,299	$ 503,402	$ 319,057

(Unaudited - in Canadian dollars)

16. Related parties (continued)

(b) Other transactions with related parties (continued)

		February 28, 2025		August 31, 2024
Balances due to related parties are as follows:				
Accounts payable and accrued liabilities (i)	$	(250,000)	$	(62,500)
Accounts payable to key management personnel (ii)		(188,326)		(102,211)
Accounts payable to Board of Directors members		(32,500)		(20,730)
Convertible debenture, including accrued interest (i)		(6,844,264)		(6,535,562)
Lease liabilities (i)		(443,831)		(562,206)

(i) The Company has a Board of Director 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 in addition to a head office lease arrangement. During the three and six-month periods ended February 28, 2025, the Company paid $61,445 and $123,625 in rent for the head office lease (2024 - $50,660 and $112,105).

(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 agreement, a related party is providing certain guarantees to the lenders on the debt financing (note 8) and is charging the Company a fee in exchange.

17. Cash flow information

Net change in non-cash working capital items:

		Three-month periods ended				Six-month periods ended		
		February 28, 2025		February 29, 2024		February 28, 2025		February 29, 2024
Accounts receivable	$	(2,635,690)	$	(1,595,396)	$	(2,512,330)	$	(864,054)
Biological assets		(4,144,812)		(4,949,784)		(8,247,187)		(9,801,069)
Inventory		1,493,300		1,999,655		4,314,769		4,168,546
Prepaid expenses and other assets		(853,082)		1,769,862		(1,419,286)		1,376,492
Deposits		210,000		111		210,000		111
Accounts payable and accrued liabilities		(141,718)		1,911,446		904,091		528,670
Excise tax payable		(3,044,937)		504,377		(2,466,547)		(192,188)
Sales tax payable		108,405		42,282		278,647		(260,216)
Deferred lease revenue		6,971		4,484		284,084		177,604
Deferred grant income		(15,604)		(9,724)		(31,208)		(19,409)
Deferred revenue		–		(131,294)		–		(23,020)
	$	(9,017,167)	$	(453,981)	$	(8,684,967)	$	(4,908,532)

(Unaudited - in Canadian dollars)

17. 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, 2025	February 29, 2024	February 28, 2025	February 29, 2024
Variation of property, plant and equipment Included in accounts payable and accrued liabilities	47,032	(841,288)	(995,214)	(1,310,085)
Addition to right-of-use assets and lease liabilities	–	50,676	47,636	667,594
Financed property, plant and equipment	–	–	480,000	–
Settlement of RSUs for common shares	1,241,515	–	1,241,515	–

18. Subsequent events

Stock options

Subsequent to quarter-end, the Company granted 100,000 stock options at an exercise price of $1.25 and 84,400 stock options at an exercise price of $1.80 to employees and consultants subject to certain vesting conditions in accordance with the Company’s employee share option plan.

RSUs

Subsequent to quarter-end, the Company granted 22,500 RSUs without performance conditions and exercisable for no consideration.

Revolving credit facilities

Subsequent to quarter-end, the Company extended all tranches of the revolving credit facilities that came to expiry for a 30-day period. Funds were used for general working capital purposes.