**1933 INDUSTRIES INC.**

**Consolidated Financial Statements**

**For the years ended July 31, 2024 and 2023**

**(Expressed in Canadian dollars)**

To the Shareholders of 1933 Industries Inc.:

## Opinion

We have audited the consolidated financial statements of 1933 Industries Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2024 and July 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders'deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2024 and July 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended July 31, 2024 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**MNP LLP**
1122 International Blvd, 6th floor, Burlington ON, L7L 6Z8 T: 905.333.9888 F: 905.333.9583

### *Valuation and Accuracy of Cultivated Inventory and Biological Assets*

*Key Audit Matter Description*

The cost of finished goods cannabis inventories includes (a) cost of dried cannabis, (b) applicable allocation of cost of labour, fixed and variable overheads as part of the production process, and (c) other costs incurred to bring the inventories to their present location and condition. The determination of the intial deemed cost of the cannabis cultivated by the Company is based on the fair value at the time of harvest, which is determined by management based on estimated selling prices and costs to complete and sell the product. Inventories are subsequently assessed for write-downs based on the lower of cost and net realizable value. Net realizable value is estimated based on assumptions including the nature of the product, future demand, selling prices and market conditions. Refer to Notes 6 and 7 of the consolidated financial statements for further details. We identified the valuation and accuracy of biological assets and related inventories as a key audit matter, as a high degree of auditor judgment was required to evaluate the judgments made by management in determining the costs and estimated net realizable value of inventories.

*Audit Response*

We responded to this matter by performing audit procedures in relation to the valuation and accuracy of inventories. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained management's biological asset model, which was used to determine the initial deemed cost of the cannabis inventories, and tested the key assumptions in the model;

- Obtained a listing of sales subsequent to year-end and recalculated the net-realizable-value ("NRV") of each product category. Selected a sample of products sold from the subsequent sales listing and obtained the invoice and cash payment related to the sample to verify the accuracy of the subsequent sales listing. Compared each product category to the cost and ensured inventory is being valued appropriately;

- Tested the allocation of post-harvest costs based on actual production quantities by assessing the appropriateness of the allocation method, recalculating the allocation, and verifying to source documents; and

- Calculated inventory turnover per product and investigated any products with a turnover greater than one year.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

MNP LLP

Burlington, Ontario — Chartered Professional Accountants

February 25, 2025 — Licensed Public Accountants

**1933 INDUSTRIES INC.**
**Consolidated Statements of Financial Position**
(Expressed in Canadian dollars)

| | Note | **July 31, 2024** | July 31, 2023 |
|---|---|---|---|
| | | **$** | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | **449,184** | 1,092,562 |
| Receivables | 5 | **2,008,667** | 2,231,302 |
| Inventory | 6 | **2,725,525** | 2,191,403 |
| Biological assets | 7 | **425,729** | 414,075 |
| Prepaid expenses and deposits | 8 | **374,720** | 539,131 |
| | | **5,983,825** | 6,468,473 |
| Property and equipment | 9 | **10,884,527** | 11,551,256 |
| **Total assets** | | **16,868,352** | 18,019,729 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 11,17 | **4,863,718** | 4,017,644 |
| Income tax payable | | **64,313** | 1,694,210 |
| Current portion of lease liability | 12 | **439,763** | 551,366 |
| Current portion of note payable | 13 | **54,455** | 37,565 |
| Current portion of convertible debentures | 14 | **-** | 4,406,730 |
| | | **5,422,249** | 10,707,515 |
| Convertible debentures | 14 | **2,869,327** | - |
| Lease liability | 12 | **13,412,248** | 12,554,029 |
| Note payable | 13 | **-** | 21,337 |
| **Total liabilities** | | **21,703,824** | 23,282,881 |
| **SHAREHOLDERS' DEFICIENCY** | | | |
| Share capital | 15(b) | **83,856,671** | 82,387,033 |
| Reserves | 15(c) | **10,795,979** | 10,335,086 |
| Accumulated other comprehensive loss | | **(787,569)** | (594,933) |
| Deficit | | **(97,399,298)** | (95,820,123) |
| **Deficiency attributable to shareholders of the Company** | | **(3,534,217)** | (3,692,937) |
| Non-controlling interest | | **(1,301,255)** | (1,570,215) |
| **Total shareholders' deficiency** | | **(4,835,472)** | (5,263,152) |
| **Total liabilities and shareholders' deficiency** | | **16,868,352** | 18,019,729 |

Nature of operations and going concern (Note 1)

Approved and authorized for the issue on behalf of the Board of Directors:

| *"/s/ "Brian Farrell"* | *"/s/ "Paul Rosen"* |
|---|---|
| Director | Director |

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

**1933 INDUSTRIES INC.**
**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in Canadian dollars, except share numbers)

| | Note | 2024 | For the year ended July 31, 2023 (Note 24) |
|---|---|---|---|
| | | **$** | $ |
| Revenues | | **19,350,916** | 16,881,564 |
| Cost of sales | | **(16,702,008)** | (17,075,559) |
| **Gross profit, excluding fair value adjustments** | | **2,648,908** | (193,995) |
| Change in fair value due to biological transformation | | **1,791,060** | - |
| Fair value adjustment on sale of biological assets | | **(1,498,005)** | (1,172,758) |
| **Gross profit (loss)** | | **2,941,963** | (1,366,753) |
| | | | |
| **Expenses (income)** | | | |
| Accretion expense | | **143,475** | - |
| Depreciation | 9 | **100,284** | 199,916 |
| Foreign exchange | | **(60,147)** | (52,032) |
| Gain on disposal of assets held for sale | 9 | **-** | (50,078) |
| Gain on extinguishment of convertible debenture | 14 | **(483,941)** | - |
| General and administration | 16,17 | **926,842** | 1,754,790 |
| Goodwill impairment | 10 | **-** | 4,599,734 |
| Interest expense | | **345,143** | 1,743,380 |
| License taxes and insurance | | **2,110,638** | 3,558,222 |
| Loss (gain) on sale of property and equipment | 9 | **(6,796)** | 27,198 |
| Gain on lease extinguishment | 9 | **-** | (9,974) |
| Loss on deposit | | **-** | 87,323 |
| Management and consulting fees | 17 | **513,334** | 628,000 |
| Other income | 20 | **-** | (1,739,552) |
| Professional fees | | **619,313** | 901,070 |
| Share-based compensation | 17 | **31,471** | 183,238 |
| Wages and benefits | | **956,432** | 873,782 |
| | | **5,196,048** | 12,705,017 |
| | | | |
| **Loss before income tax recovery (expense)** | | **(2,254,085)** | (14,071,770) |
| Current income tax recovery (expense) | 23 | **1,630,000** | (515,534) |
| **Net loss for the year – continuing operations** | | **(624,085)** | (14,587,304) |
| | | | |
| Net (loss) income from discontinued operations | 24 | **(329,619)** | 628,549 |
| Foreign currency translation adjustment | | **(111,975)** | 462,912 |
| **Comprehensive loss for the year** | | **(1,065,679)** | (13,495,843) |
| | | | |
| **Net income (loss) attributable to:** | | | |
| Shareholders of the Company | | **(1,142,003)** | (13,363,920) |
| Non-controlling interest | | **188,299** | (594,835) |
| | | | |
| **Foreign currency translation adjustment attributable to:** | | | |
| Shareholders of the Company | | **(192,636)** | (439,416) |
| Non-controlling interest | | **80,661** | (23,496) |
| | | | |
| **Comprehensive income (loss) attributable to:** | | | |
| Shareholders of the Company | | **(1,334,639)** | (12,924,504) |
| Non-controlling interest | | **268,960** | (571,339) |
| | | | |
| **Net loss per share from continuing operations** | | | |
| Basic and diluted | | **(0.00)** | (0.03) |
| | | | |
| **Weighted average number of shares** | | | |
| Basic and diluted | | **477,763,336** | 455,694,947 |

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

**1933 INDUSTRIES INC.**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian dollars)

| | | For the year ended July 31, 2023 (Note 24) |
|---|---|---|
| | **2024** | |
| | **$** | $ |
| **Operating activities** | | |
| Net loss for the year | **(624,085)** | (14,587,304) |
| Adjustments for: | | |
| Depreciation included in cost of sales | **1,993,824** | 1,395,598 |
| Change in fair value due to biological transformation | **(1,791,060)** | - |
| Fair value adjustment on sale of biological assets | **1,498,005** | 1,172,758 |
| Accretion expense | **143,475** | - |
| Depreciation | **85,314** | 204,415 |
| Unrealized foreign exchange | **-** | (48,884) |
| Gain on disposal of assets held for sale | **-** | (53,005) |
| Gain on extinguishment of debenture | **(483,941)** | - |
| Gain on lease termination | **-** | (9,974) |
| Loss on sale of property and equipment | **-** | 27,198 |
| Goodwill impairment | **-** | 4,599,734 |
| Interest expense | **1,803,635** | 364,084 |
| Loss on deposit | **-** | 87,323 |
| Share-based compensation | **31,471** | 183,238 |
| Changes in non-cash working capital: | | |
| Receivables | **128,080** | (881,034) |
| Inventory | **(829,071)** | 4,172,865 |
| Biological assets | **281,401** | (222,425) |
| Prepaid expenses and deposits | **160,726** | (250,965) |
| Accounts payable and accrued liabilities | **881,932** | 1,199,265 |
| Income tax payable | **(1,629,897)** | 621,310 |
| **Net cash provided by (used in) operating activities** | **1,649,809** | (2,025,803) |
| | | |
| **Investing activities** | | |
| Purchase of property and equipment | **(890,780)** | (801,989) |
| Proceeds from property and equipment | **-** | 79,434 |
| Proceeds from sale of assets held for sale | **-** | 2,425,446 |
| **Net cash provided by (used in) investing activities** | **(890,780)** | 1,702,891 |
| | | |
| **Financing activities** | | |
| Repayment of lease liability | **(1,373,983)** | (282,010) |
| Repayment of note payable | **(46,271)** | (18,928) |
| Repayment of convertible debenture payable | **(41,000)** | - |
| **Net cash used in financing activities** | **(1,461,254)** | (300,938) |
| | | |
| Effect of exchange rate on changes on cash | **16,165** | 190,872 |
| | | |
| Change in cash from continuing operations | **(686,060)** | (432,978) |
| Change in cash from discontinuing operations | **42,682** | 1,162,266 |
| Cash, beginning of year | **1,092,562** | 363,274 |
| **Cash, end of year** | **449,184** | 1,092,562 |

Supplemental disclosure with respect to cash flows (Note 18)

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

**1933 INDUSTRIES INC.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
(Expressed in Canadian dollars, except share numbers)

| | Common shares | Share capital | Reserves | Accumulated other comprehensive loss | Deficit | Non-controlling interest | Total shareholders' equity (deficiency) |
|---|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ | $ |
| Balance, July 31, 2022 | 450,699,319 | 81,855,012 | 10,157,141 | (1,034,349) | (82,456,203) | (998,876) | 7,522,725 |
| Shares issued - conversion of convertible debentures $0.05 | 10,534,551 | 532,021 | (5,293) | - | - | - | 526,728 |
| Share-based compensation | - | - | 183,238 | - | - | - | 183,238 |
| Non-controlling interest | - | - | - | - | - | (594,835) | (594,835) |
| Foreign currency translation adjustment | - | - | - | 439,416 | - | 23,496 | 462,912 |
| Net loss for the year | - | - | - | - | (13,363,920) | - | (13,363,920) |
| Balance, July 31, 2023 | 461,233,870 | 82,387,033 | 10,335,086 | (594,933) | (95,820,123) | (1,570,215) | (5,263,152) |
| Shares issued - conversion of convertible debentures $0.05 | 29,237,787 | 1,469,638 | (7,750) | - | - | - | 1,461,888 |
| Issuance of convertible debentures $0.05 | - | - | 437,172 | - | (437,172) | - | - |
| Share-based compensation | - | - | 31,471 | - | - | - | 31,471 |
| Non-controlling interest | - | - | - | - | - | 188,299 | 188,299 |
| Foreign currency translation adjustment | - | - | - | (192,636) | - | 80,661 | (111,975) |
| Net loss for the year | - | - | - | - | (1,142,003) | - | (1,142,003) |
| **Balance, July 31, 2024** | **490,471,657** | **83,856,671** | **10,795,979** | **(787,569)** | **(97,399,298)** | **(1,301,255)** | **(4,835,472)** |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

1933 Industries Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of Alberta and later continued into the Province of British Columbia. The Company is a publicly traded company with its registered office located at 300 - 1055 West Hastings Street, Vancouver, British Columbia, Canada. The Company's common shares are listed under the symbol "TGIF" on the Canadian Securities Exchange and under the symbol "TGIFF" on the OTCQX.

The Company operates in the medical and recreational cannabis sectors in Nevada, USA. Alternative Medicine Association ("AMA"), a 91% owned subsidiary of the Company, is licensed in the State of Nevada as (i) a cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. Infused Mfg ("Infused"), a 100% owned subsidiary of the Company, is focused on developing, and manufacturing hemp and cannabidiol ("CBD") infused products and brands for retail sale and use in jurisdictions where permitted. During the year ended July 31, 2024, Infused operations were discontinued (Note 24).

While some states in the United States ("U.S.") have authorized the use and sale of cannabis, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against cannabis is subject to change. The Company assumes certain risks due to conflicting state and federal laws because the Company engages in cannabis related activities in the U.S. The federal law relating to cannabis could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized. The Company may be irreparably harmed by a change in enforcement policies of the federal government depending on the nature of such change.

Given the current illegality of cannabis under U.S. federal law, the Company's ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the U.S. federal government and are thus prohibited from providing financing to companies engaged in cannabis-related activities. The Company's ability to access public capital markets in the U.S. is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

### Going concern

The Company has not yet achieved profitable operations and during the years ended July 31, 2024 and 2023, the Company incurred a net loss of $1,065,679 (2023 - $13,495,843). As at July 31, 2024, the Company had an accumulated deficit of $97,399,298 (July 31, 2023 - $95,820,123) and working capital of $561,576 (July 31, 2023 - working capital deficiency of $4,239,042). These factors represent a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements for the years ended July 31, 2024 and 2023 ("financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months.

The Company evaluates if the going concern assumption at each reporting period is appropriate and will consider removing the going concern and uncertainty note when the Company can depend on profitable operations or is confident of obtaining additional debt, equity or other financing to fund ongoing operations until profitability is achieved. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to obtain additional capital in the future and the Company's ability to continue as a going concern be impaired, material adjustments may be necessary to these financial statements. Such adjustments could be material.

## 2. BASIS OF PREPARATION

### a) Statement of compliance

These financial statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board ("IASB") and the IFRIC® Interpretations of the IFRS Interpretations Committee.

These financial statements were approved by the Board of Directors and authorized for issue on February 25, 2025.

## 2. BASIS OF PREPARATION (continued)

### b) Basis of measurement

The financial statements have been prepared using the historical cost basis, except for biological assets, which are measured at fair value, as specified by IFRS Accounting Standards, as well as information presented in the consolidated statements of cash flows.

### c) Functional and presentation currency

These financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. References to “CAD” are to Canadian dollars and “USD” or “USD$” are to United States dollars.

### d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

A summary of the Company’s subsidiaries included in these financial statements as at July 31, 2024 is as follows:

| Name of subsidiary | Abbreviation | Country of Incorporation | Percentage Ownership | Functional Currency | Principal Activity |
|---|---|---|---|---|---|
| 1080034 B.C. Ltd. | 0034 BC | Canada | 100% | CAD | Inactive |
| 1933 Management Services Inc. | FNM | USA | 100% | USD | Holding company |
| 1933 Legacy Inc. | Legacy | USA | 100% | USD | Inactive |
| Infused Mfg LLC | Infused MFG | USA | 100% | USD | Hemp and CBD - Inactive |
| FN Pharmaceuticals LLC | FNP | USA | 100% | USD | Inactive |
| Alternative Medicine Association LLC | AMA | USA | 91% | USD | Cannabis cultivation and production |
| AMA Productions LLC | AMA Pro | USA | 100% | USD | Inactive |
| Spire Secure Logistics Inc. | Spire | Canada | 100% | CAD | Inactive |

## 3. MATERIAL ACCOUNTING POLICIES

### a) Inventory

Inventories of harvested finished goods and packing materials are valued initially at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within ‘cost of sales’ on the statements of loss and comprehensive loss at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line on the profit or loss.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### b) Biological assets

While the Company's biological assets are within the scope of IAS 41 *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 *Inventories*. They include the direct cost of growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is included, as well as facilities overhead costs, excluding depreciation, to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred and they are all subsequently recorded within the line item "cost of sales" in the profit or loss in the period that the related product is sold. Unrealized fair value gain/losses on growth of biological assets are recorded in a separate line on the profit or loss. Biological assets are measured at fair value less costs to sell on the consolidated statement of financial position.

### c) Property and equipment

A summary of the Company's annual depreciation rates and methods is as follows:

| Asset class | Depreciation method | Useful life |
|---|---|---|
| Office equipment | Straight-line | 5-7 years |
| Production equipment | Straight-line | 5 years |
| Leasehold improvements | Straight-line | Shorter of asset life and lease term |
| Right of use | Straight-line | 5-20 years |

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

### d) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

- as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are reduced by actual expenditures for which the provision was originally recognized. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The accretion of the discount is charged to the profit or loss.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### e) Convertible debentures

The convertible debentures were determined to be compound instruments, comprising a financial liability (debt obligation) and an equity component (conversion option). The debt obligation was recognized at fair value on the issuance date by discounting the principal balance by the borrowing rate for a similar instrument without the conversion feature.

Using the residual method, the carrying amount of the conversion option represents the difference between the principal amount and the discounted debt obligation. The convertible debentures, net of the conversion option, is accreted to the principal balance using the effective interest rate method over the term of the convertible debentures, such that the carrying amount of the debt obligation will equal the principal balance at maturity.

Upon exercise of the convertible debentures, the conversion option and the carrying value of debt obligation is reclassified to share capital. Transaction costs are allocated on a pro-rata basis between the debt obligation and the conversion option.

### f) Leases

A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration.

To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. These lease payments are recognized in operating expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognized at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### g) Share-based payments

The fair value of stock options granted to employees is recognized as a share-based compensation with a corresponding increase in reserves. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the stock options granted is measured using the Black-Scholes Option Pricing Model (“Black-Scholes”) considering the terms and conditions upon which the options were granted. The fair value of stock options granted to parties other than employees is recognized as an expense which is measured at the fair value of the goods or services received when they can be estimated reliably. If the goods or services received cannot be estimated reliably, the fair value of the stock options granted is measured using Black-Scholes considering the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserves.

### i) Share capital

Common shares are classified as shareholders’ equity. Incremental costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from shareholders’ equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of shares issued in the private placements to be the more easily measurable component and the shares are valued at their fair value, as determined by Black-Scholes. The balance, if any, is allocated to warrants. Any fair value attributed to the warrants is recorded as reserves.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based compensation. Otherwise, share-based compensation is measured at the fair value of goods and services received.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### j) Financial instruments

*Classification of financial assets*

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

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

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company has classified cash and receivables as amortized cost.

Fair value through other comprehensive income:

Financial assets that meet the following conditions are measured at fair value through other comprehensive income (“FVTOCI”):

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

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

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

Equity instruments designated as FVTOCI:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

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

Financial assets measured subsequently at fair value through profit or loss:

By default, all other financial assets are measured subsequently at fair value through profit and loss (“FVTPL”).

The Company, at initial recognition, may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

The Company's financial liabilities measured at amortized cost are accounts payable and accrued liabilities, convertible debentures and notes payable.

### k) Equity

Equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### l) Impairment of financial assets

The expected credit loss ("ECL") applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI.

To assess credit losses, the Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk;
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low; or
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets, other than those at FVTPL and amortized cost, are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

### m) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's non-financial assets (property and equipment) are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss. Goodwill impairment losses are not reversed.

### n) Revenue

The Company generates revenue from the sale of cannabis, infused pre-rolls, oils, distillates, terpenes, vaporizer products and boutique concentrates.

Revenue is recognized in accordance with IFRS 15 *Revenue*, when a customer obtains control of promised goods or services. The amount of revenue reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services. The Company applies the following five-step analysis to determine whether, how much and when revenue is recognized: (1) Identify the contract with the customer; (2) Identify the performance obligation in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligation in the contract; and (5) Recognize revenue when or as the Company satisfies a performance obligation. Revenue is shown net of returns and discounts.

Revenue from the sale of inventory is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits of the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Significant risks and rewards are generally considered to be transferred when the Company has shipped the product to customers. Revenue is recognized at the fair value of consideration received or receivable.

### o) Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the year by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Diluted loss per share is equal to basic loss per share for the periods presented as the effect would be anti-dilutive.

Anti-dilutive securities include convertible debentures, warrants, stock options, and agent options.

## 3. MATERIAL ACCOUNTING POLICIES (continued)

### p) Income taxes

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the period. Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods. Provisions of the Internal Revenue Code, Section 280E, are being applied by the Internal Revenue Service to businesses operating in the medical and adult-use marijuana industry. Section 280E of the Internal Revenue Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. In addition, cases before the federal courts have resulted in the denial of the application of non-capital losses where Section 280E of the Tax Code applies. This is an uncertain tax position and management will review the applicable case law and make a final determination on the utilization of the non-capital losses.

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### q) Discontinued operations

A discontinued operation is a component of the Company’s business that represents a separate or major line of business or geographical area of operations that has been discontinued. The operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it presents the comparative consolidated statements of comprehensive loss as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results of the discontinued operations and any gain or loss from disposal from the consolidated statements of comprehensive loss and presents them separately. Per unit information related to the discontinued operations are also presented separately from continuing operation in discontinued operations note (Note 24). Cash flows from discontinued operations are also presented separately from cash flows from continuing operations in the consolidated statements of cash flows.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### a) Critical judgements and estimates

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these financial statements is as follows:

*i. Determination of functional currency*

In accordance with International Accounting Standard ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates*, the Company determined its functional currency, and its Canadian subsidiaries, to be the Canadian dollar, and the functional currency of its US subsidiaries to be the United States dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

*ii. Assessment of indicator of impairment long lived assets*

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or CGU may be impaired, thereby requiring adjustment to the carrying value. During the year ended July 31, 2024, the Company has not identified any new indicators of impairment.

*iii. Estimated useful lives and depreciation of property and equipment*

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

*iv. Biological assets and inventory*

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

*v. Expected credit losses*

In calculating the ECL on financial instruments, management is required to make a number of judgements including the probability of possible outcomes with regards to credit losses, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

*vi. Current and deferred taxes*

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

Provisions of the Internal Revenue Code, Section 280E, are being applied by the Internal Revenue Service ("IRS") to businesses operating in the medical and adult-use marijuana industry. Section 280E of the Internal Revenue Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. In addition, cases before the federal courts have resulted in the denial of the application of non-capital losses where Section 280E of the Tax Code applies. This is an uncertain tax position and management will review the applicable case law and make a final determination on the utilization of the non-capital losses. Changes in Section 280E or applicable case law related to the application of non-capital losses could significantly affect the current income tax expense.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations based on production and customer demand are internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

*vii. Equity-settled share-based payments*

The Company utilizes Black-Scholes to estimate the fair value of stock options granted to directors, officers, employees, and consultants, warrants issued for services and warrants issued in private placements. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecasted future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Changes in these input assumptions can significantly affect the fair value estimate.

*viii. Contingencies*

Due to the nature of the Company's operations, various legal and tax matters can arise from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its financial statements for the period in which such changes occur.

In the ordinary course of business, from time to time the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these financial statements.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

*ix. Convertible instruments*

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay the principal and coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

*x. Leases*

*Identifying whether a contract includes a lease*

IFRS 16 *Leases,* applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, does the Company obtain substantially all of the economic benefits and who has the right to direct the use of that asset.

*Estimate of lease term*

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. When it is reasonably certain that the extension or early termination options will be exercised, the Company determines that the term of its leases are the lesser of original lease term, the original lease term plus the extension option, or the remaining lease term assuming exercise of the early termination option. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

*Incremental borrowing rate*

When the Company recognizes a lease, the future lease payments are discounted using the Company’s incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the profit or loss.

(Expressed in Canadian dollars, except where noted)

## 5. RECEIVABLES

A summary of the Company's receivables is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Trade receivables | **1,934,292** | 2,226,170 |
| Other | **74,375** | 5,132 |
| | **2,008,667** | 2,231,302 |

A summary of the Company's aging of receivables is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Current | **1,214,726** | 960,241 |
| 1 – 30 days | **480,608** | 849,407 |
| 31 – 60 days | **199,623** | 170,814 |
| 61 – 90 days | **63,689** | 99,537 |
| > 90 days | **472,387** | 593,434 |
| | **2,431,033** | 2,673,433 |
| Expected credit loss provision | **(422,366)** | (442,131) |
| | **2,008,667** | 2,231,302 |

A summary of the Company's Expected Credit Loss provision is as follows:

| | $ |
|---|---|
| Balance, July 31, 2022 | 197,423 |
| Provision for expected credit loss | 302,431 |
| Recovery for expected credit loss | (57,723) |
| Balance, July 31, 2023 | 442,131 |
| Provision for expected credit loss | 92,511 |
| Recovery for expected credit loss | (112,276) |
| **Balance, July 31, 2024** | **422,366** |

As at July 31, 2024, trade receivables are presented net of lifetime expected credit losses of $422,366 (July 31, 2023 - $442,131). During the year ended July 31, 2024, general and administration included a provision for expected credit losses on trade receivables of $92,511 (2023 - $302,431).

## 6. INVENTORY

A summary of the Company's inventory is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Raw materials | **301,866** | 527,084 |
| Harvested cannabis and trim | **1,081,219** | 1,072,963 |
| Cannabis oil and equivalent | **281,713** | 266,583 |
| Finished goods | **1,060,727** | 324,773 |
| | **2,725,525** | 2,191,403 |

During the year ended July 31, 2024, the Company recorded $16,702,008 (2023 - $17,075,559) for inventory expensed to cost of sales.

(Expressed in Canadian dollars, except where noted)

## 7. BIOLOGICAL ASSETS

A summary of the Company's biological assets is as follows:

| | $ |
|---|---|
| Balance, July 31, 2022 | 1,311,192 |
| Capitalized production costs | 6,266,049 |
| Transferred to inventory upon harvest | (7,236,233) |
| Effects of movement in foreign exchange | 73,067 |
| Balance, July 31, 2023 | 414,075 |
| Capitalized production costs | 9,660,412 |
| Transferred to inventory upon harvest | (9,845,503) |
| Effects of movement in foreign exchange | 196,745 |
| **Balance, July 31, 2024** | **425,729** |

As at July 31, 2024, the carrying value of biological assets comprises cannabis plants. On average, the grow cycle is approximately 13 weeks (July 31, 2023 - 16 weeks).

The fair value less costs to sell is estimated using an expected cash flow model which assumes the biological assets will grow to maturity, be harvested, converted into finished goods inventory, and sold in the retail cannabis market. The fair value measurement for biological assets is categorized as Level 3 (as defined in the fair value hierarchy - Note 21). These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in profit or loss on biological assets in future periods.

The following significant unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy, were used by management as part of the model:

- Selling price - calculated as the weighted average selling price for all expected grades and strains of cannabis based on actual selling prices of the fair value of cannabis forms on a per pound basis.
- Yield per plant - represents the number of grams of finished cannabis that are expected to be obtained from each harvested cannabis plant.
- Stage of growth - represents the weighted average number of weeks out of the expected 13-week growing cycle that cannabis plants have reached as of the measurement date.
- Wastage - represents the weighted average percentage of cannabis plants expected to fail to mature to the point of harvest.
- Post-harvest processing costs - calculated as the cost per gram of harvested cannabis to convert into finished dry bulk flower ready to be packaged into finished goods.

A summary of the Company's significant unobservable inputs used in the model to estimate fair value less costs to sell is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| Estimated sales price per gram (1) | **$2.73** | $3.08 |
| Weighted average stage of growth | **5 weeks** | 6 weeks |
| Expected yield per plant | **161 grams** | 92 grams |
| Wastage | **1.05%** | 0.26% |
| Post-harvest processing cost per gram (2) | **$1.51** | $2.02 |

(1) Estimated sales price per gram input is translated from USD$1.98 (July 31, 2023 - USD$2.33).
(2) Post-harvest processing cost per gram input is translated from USD$1.09 (July 31, 2023 - USD$1.53).

Increases in costs required up to the point of harvest, harvesting costs and selling costs will decrease the fair value of biological assets, while increases in sales price and expected yield for the cannabis plant will increase the fair value of biological assets.

(Expressed in Canadian dollars, except where noted)

## 7. BIOLOGICAL ASSETS (continued)

A summary of the impact on the Company's net loss and comprehensive loss due to a 10% increase or decrease of each input used in the estimation of fair value less costs to sell is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Estimated sales price per gram | **128,018** | 193,899 |
| Weighted average stage of growth | **21,014** | 34,390 |
| Expected yield per plant | **30,830** | 43,364 |
| Wastage | **(4,638)** | (8,212) |
| Post-harvest processing cost per gram | **(63,466)** | (191,176) |

## 8. PREPAID EXPENSES AND DEPOSITS

A summary of the Company's prepaid expenses and deposits is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Prepaid expenses | **141,392** | 316,481 |
| Security deposit on leased facilities | **233,328** | 222,650 |
| | **374,720** | 539,131 |

(Expressed in Canadian dollars, except where noted)

## 9. PROPERTY AND EQUIPMENT

A summary of the Company's property and equipment is as follows:

| | Land | Leasehold improvements | Production equipment | Office equipment | Right of use assets | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| Balance, July 31, 2022 | 3,848 | 903,726 | 4,080,578 | 424,668 | 13,610,173 | 19,022,993 |
| Additions | - | 264,052 | 610,691 | - | 300,282 | 1,175,025 |
| Disposals | (3,953) | - | (658,850) | - | - | (662,803) |
| Termination | - | - | - | - | (194,519) | (194,519) |
| Modification | - | - | - | - | (329,114) | (329,114) |
| Effects of movement in foreign exchange | 105 | 24,876 | 112,324 | 10,394 | 374,641 | 522,340 |
| Balance, July 31, 2023 | - | 1,192,654 | 4,144,743 | 435,062 | 13,761,463 | 19,533,922 |
| Additions | - | - | 869,550 | 21,232 | - | 890,782 |
| Transfers | - | 412,769 | (422,052) | 9,283 | - | - |
| Effects of movement in foreign exchange | - | 61,882 | 205,328 | 19,255 | 660,030 | 946,495 |
| **Balance, July 31, 2024** | **-** | **1,667,305** | **4,797,569** | **484,832** | **14,421,493** | **21,371,199** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| Balance, July 31, 2022 | - | 461,095 | 2,727,911 | 296,160 | 3,366,887 | 6,852,053 |
| Depreciation | - | 124,184 | 704,767 | 51,637 | 809,680 | 1,690,268 |
| Disposal | - | - | (556,885) | - | - | (556,885) |
| Termination | - | - | - | - | (171,589) | (171,589) |
| Effects of movement in foreign exchange | - | 146,988 | 445,621 | 7,968 | (431,758) | 168,819 |
| Balance, July 31, 2023 | - | 732,267 | 3,321,414 | 355,765 | 3,573,220 | 7,982,666 |
| Depreciation | - | 131,099 | 1,127,569 | 48,605 | 786,835 | 2,094,108 |
| Effects of movement in foreign exchange | - | 46,800 | 152,776 | 26,502 | 183,820 | 409,898 |
| **Balance, July 31, 2024** | **-** | **910,166** | **4,601,759** | **430,872** | **4,543,875** | **10,486,672** |
| | | | | | | |
| **Carrying amount** | | | | | | |
| Balance, July 31, 2023 | - | 460,387 | 823,329 | 79,297 | 10,188,243 | 11,551,256 |
| **Balance, July 31, 2024** | **-** | **757,139** | **195,810** | **53,960** | **9,877,618** | **10,884,527** |

(Expressed in Canadian dollars, except where noted)

## 9. PROPERTY AND EQUIPMENT (continued)

**During the year ended July 31, 2024:**

The Company transferred production equipment with a cost of $422,052 and $nil accumulated depreciation as follows: $412,769 to leasehold improvements and $9,283 to office equipment.

Total depreciation of property and equipment for the year ended July 31, 2024 was $2,094,108 (2023 - $1,690,268). Of the total depreciation during year ended July 31, 2024, $1,993,824 was capitalized to inventory (2023 - $1,395,598). As a result of the capitalization to inventory, the Company recognized a depreciation expense for the year ended July 31, 2024 of $100,284 (2023 - $294,670) in profit or loss.

**During the year ended July 31, 2023:**

The Company amended its lease agreement with an Infused facility lease for reduced facility space and an extension of the lease term from December 31, 2023 to December 31, 2024. As a result of the reduction in facility space, the Company derecognized right of use assets cost of $115,276 and accumulated depreciation of $92,346, and $32,904 (USD$24,971) in lease liability resulting in a gain on lease termination of $9,974. As a result of the lease extension, Company recognized an increase to right of use assets cost of $152,205 (USD$115,508) resulting from the incremental increase in lease liability.

The Company entered into an agreement with the landlord of its AMA manufacturing facility for a rent reduction for two years beginning July 1, 2023 and ending May 31, 2025. As a result of the amendments to the lease payments, the Company recognized a decrease to right of use assets cost of $481,319 (USD$365,272) resulting from the incremental decrease in lease liability. In consideration for the rent reductions, the Company issued a promissory note which will increase for the difference between the original rent payments and the amended rent reduction payments monthly up to USD$400,000. Pursuant to the agreement, the promissory note will be forgiven on May 31, 2031 if the Company remains in compliance and in good standing with its lease obligations. In the event the Company defaults the outstanding principal of the promissory note and a penalty of USD$50,000 will be due on demand.

The Company entered into an extension agreement for one of its AMA leases for an additional two years ending January 9, 2025. As a result of the lease extension, the Company recognized an addition to right of use assets of $300,282 (USD$225,804) measured as the future minimum lease payments discounted at 10% per annum.

The Company derecognized a right of use asset with cost of $79,243 and accumulated depreciation of $79,243 relating to Infused facility as the lease expired.

The Company incurred additions to leasehold improvement relating to upgrades and installation of irrigation and plumbing system for AMA manufacturing facility. In addition, the Company incurred additions of $610,691 (USD$463,456) to production equipment to improve its cultivation activities, including environmental and sensory control systems.

## 10. GOODWILL

A summary of the Company's goodwill is as follows:

| | $ |
|---|---:|
| Balance, July 31, 2022 | 4,491,721 |
| Impairment | (4,599,734) |
| Effects of movement in foreign exchange | 108,013 |
| **Balance, July 31, 2024 and 2023** | - |

The goodwill balance of $4,491,721 (USD$3,490,729) at July 31, 2022 was related to the acquisition of AMA on June 15, 2017 which was considered as a distinct cash generating unit.

On July 31, 2023, as part of its annual test for impairment, the Company determined that the carrying amount of the AMA cash generating unit exceeded its recoverable amount and that goodwill associated with the acquisition of AMA was impaired. Accordingly, during the year ended July 31, 2023, the Company recognized impairment of $4,599,734 (USD$3,490,729).

(Expressed in Canadian dollars, except where noted)

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Trade payables | **3,944,674** | 3,394,148 |
| Accrued liabilities | **814,700** | 282,000 |
| Payroll liabilities | **104,344** | 341,496 |
| | **4,863,718** | 4,017,644 |

## 12. LEASE LIABILITY

A summary of the Company's lease liability is as follows:

| | $ |
|---|---|
| Balance, July 31, 2022 | 13,106,796 |
| Repayments | (1,669,677) |
| Interest expense | 1,342,625 |
| Addition | 303,027 |
| Termination | (32,904) |
| Modifications | (329,114) |
| Effects of movement in foreign exchange | 384,642 |
| Balance, July 31, 2023 | 13,105,395 |
| Repayments | (1,373,983) |
| Interest expense | 1,490,182 |
| Effects of movement in foreign exchange | 630,417 |
| **Balance, July 31, 2024** | **13,852,011** |
| | |
| **Current portion** | **439,763** |
| **Non-current portion** | **13,412,248** |

During the year ended July 31, 2023, the Company amended its lease agreement with an Infused facility lease for reduced facility space and an extension of the lease term from December 31, 2023 to December 31, 2024. As a result of the amendment, the Company derecognized $32,904 (USD$24,971) in lease liability. As a result of the extension, the Company recognized an incremental increase of $152,205 (USD$115,508) in modification of lease.

During the year ended July 31, 2023, the Company entered into an agreement with the landlord of its AMA manufacturing facility for a rent reduction for two years beginning July 1, 2023 and ending May 31, 2025. As a result of the amendments to the lease payments, the Company recognized a decrease to right of use asset of $481,319 (USD$365,272) resulting from the incremental decrease in lease liability. In consideration for the rent reductions, the Company issued a promissory note which will increase for the difference between the original rent payments and the amended rent reduction payments monthly up to USD$400,000. Pursuant to the agreement, the promissory note will be forgiven on May 31, 2031 if the Company remains in compliance and in good standing with its lease obligations. In the event the Company defaults the outstanding principal of the promissory note and a penalty of USD$50,000 will be due on demand. As at July 31, 2024, the Company is in good standings with its lease obligations.

During the year ended July 31, 2023, the Company entered into an extension agreement for one of its AMA leases for an additional two years ending January 9, 2025. As a result of the lease extension, the Company recognized an addition to lease liability of $303,027 (USD$225,804) measured on the future minimum lease payments discounted at 10% per annum.

(Expressed in Canadian dollars, except where noted)

## 12. LEASE LIABILITY (continued)

A summary of the Company's future minimum lease payments related to the leases under is as follows:

| | **July 31, 2024** |
|---|---|
| | $ |
| 2024 | **1,960,391** |
| 2025 | **1,557,020** |
| 2026 | **1,563,768** |
| 2027 | **1,610,682** |
| Thereafter | **25,564,190** |
| Total future minimum lease payments[1] | **32,256,051** |
| Effects of discounting | **(18,404,040)** |
| **Total present value of minimum lease payments** | **13,852,011** |

[1] Total future minimum lease payments include true contractual obligations of the Company's leases with the option to renewal.

## 13. NOTE PAYABLE

A summary of the Company's note payable is as follows:

| | $ |
|---|---|
| Balance, July 31, 2022 | - |
| Addition | 72,754 |
| Interest expense | 4,905 |
| Installment payments | (18,928) |
| Effects of movement in foreign exchange | 171 |
| Balance, July 31, 2023 | 58,902 |
| Interest expense | 7,503 |
| Installment payments | (46,271) |
| Effects of movement in foreign exchange | 34,321 |
| **Balance, July 31, 2024** | **54,455** |
| | |
| **Current portion** | **54,455** |
| **Non-current portion** | **-** |

During the year ended July 31, 2023, the Company purchased a production equipment for its AMA manufacturing facility. The production equipment cost $137,968 (USD$104,704) of which was partially paid in the amount of $65,214 (USD$49,491). The remainder of $72,754 (USD$55,213) was financed through monthly installment payments of USD$2,837 for 23 months at an annual percentage rate of 17.27% and scheduled to mature on February 1, 2025.

During the year ended July 31, 2024, the Company incurred interest expense of $7,503 (USD$5,534) (2023 - $4,905 (USD$3,675)). The repayment of interest was included in the installment payments.

(Expressed in Canadian dollars, except where noted)

## 14. CONVERTIBLE DEBENTURES

A summary of the Company's convertible debentures is as follows:

| | Amended Debentures $ | 2024 Debentures $ |
|---|---|---|
| Balance, July 31, 2022 | 4,574,279 | - |
| Interest expense | 359,179 | - |
| Converted to common shares | (402,000) | - |
| Interest paid - shares | (124,728) | - |
| Balance, July 31, 2023 | 4,406,730 | - |
| Issuance of convertible debenture | - | 2,546,524 |
| Accretion expense | - | 143,475 |
| Interest expense | 126,624 | 179,328 |
| Converted to common shares | (155,000) | - |
| Interest paid - shares | (1,306,889) | - |
| Cash payment | (41,000) | - |
| Extinguishment of convertible debenture | (2,546,524) | - |
| Gain on extinguishment of debenture | (483,941) | - |
| **Balance, July 31, 2024** | **-** | **2,869,327** |

On August 24, 2022, debenture holders approved the amendment of the conversion price applicable to the convertible debentures to $0.05 per share being the lowest price at which the Company is permitted to amend the conversion price, the reduction of the price per share for interest payments on the Debentures from $0.10 to $0.05 per share, if the Company in its sole discretion elects to pay such interest through the issuance of its common shares, and the extension of the maturity date for the Debentures from September 14, 2022 to December 31, 2023 (the "Amended Debentures").

On December 31, 2023, the maturity date of the convertible debentures was extended to December 31, 2025 through the settlement of the Amended Debentures excluding interest in arrears, and replacement through the issuance of 3,073,000 10% unsecured convertible debentures (the "2024 Debentures"). A cash payment of $41,000 was paid to certain holders that did not renegotiate their terms. The 2024 Debentures have a two-year maturity date and are convertible into Units at a price of $0.05 per unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of $0.05 for a period of five years from the date of issuance of the new convertible debentures. As the terms of the 2024 Debentures are substantially different from those of the Amended Debentures, the Company treated this as an issuance of new convertible debentures and extinguishment of the Amended Debentures and has recorded a gain on extinguishment of $483,941 in the statement of loss.

## 15. SHARE CAPITAL AND RESERVES

### a) Authorized

Unlimited common shares with no par value and unlimited preferred shares issuable in series.

### b) Issued common shares

As of July 31, 2024, there were 490,471,657 common shares outstanding (July 31, 2023 - 461,233,870).

The Company had the following common share transaction during the year ended July 31, 2024:

- The Company issued 29,237,787 common shares pursuant to the conversion of $155,000 of convertible debentures and interest payable on the convertible debentures of $1,306,889.

(Expressed in Canadian dollars, except where noted)

## 15. SHARE CAPITAL AND RESERVES (continued)

The Company had the following common share transaction during the year ended July 31, 2023:

- The Company issued 10,534,551 common shares pursuant to the conversion of $402,000 of convertible debentures and interest payable on the convertible debentures of $124,728.

### c) Reserves

A summary of the Company's reserves activity is as follows:

| | Stock options | Convertible debentures | Warrants | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance, July 31, 2022 | 6,247,082 | 77,534 | 3,832,525 | 10,157,141 |
| Share-based compensation | 183,238 | - | - | 183,238 |
| Reclassified to share capital on conversion of convertible debentures | - | (5,293) | - | (5,293) |
| Balance, July 31, 2023 | 6,430,320 | 72,241 | 3,832,525 | 10,335,086 |
| Share-based compensation | 31,471 | - | - | 31,471 |
| Reclassified to share capital on conversion of convertible debentures | - | (7,750) | - | (7,750) |
| Change in fair value of warrant liability | - | - | 437,172 | 437,172 |
| **Balance, July 31, 2024** | **6,461,791** | **64,491** | **4,269,697** | **10,795,979** |

### d) Warrants

A summary of the Company's share purchase warrant activity is as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| | # | $ |
| Balance, July 31, 2022 | 54,041,199 | 0.15 |
| Expired | (50,341,199) | 0.16 |
| **Balance, July 31, 2024 and 2023** | **3,700,000** | **0.08** |

The Company amended the expiry date of its outstanding 3,700,000 warrants from June 13, 2024, to November 9, 2025. The Warrants were originally issued on November 9, 2020, and have an exercise price of $0.075 and was amended to an exercise price of $0.05. The exercise price and all other terms of the Warrants will remain in full force and effect.

A summary of the Company's share purchase warrants outstanding and exercisable as at July 31, 2024 is as follows:

| | Number of warrants | Weighted average exercise price | Weighted average remaining life |
|---|---|---|---|
| | # | $ | Years |
| November 9, 2025 | 3,700,000 | 0.05 | 1.28 |

(Expressed in Canadian dollars, except where noted)

## 15. SHARE CAPITAL AND RESERVES (continued)

### e) Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

The aggregate number of stock options granted will not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the Plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the Plan will not be lower than the exercise price permitted by the Canadian Securities Exchange, and all stock options granted under the Plan will have a maximum term of five years.

A summary of the Company's stock option activity is as follows:

| | **Number of options** | **Weighted average exercise price** |
|---|---|---|
| | # | $ |
| Balance, July 31, 2022 | 12,100,000 | 0.11 |
| Granted | 13,490,000 | 0.05 |
| Expired | (750,000) | 0.35 |
| Forfeited | (300,000) | 0.05 |
| Balance, July 31, 2023 | **24,540,000** | **0.07** |
| Granted | 1,000,000 | 0.05 |
| Forfeited | (2,750,000) | 0.05 |
| **Balance, July 31, 2024** | **22,790,000** | **0.07** |

A summary of the Company's stock options outstanding and exercisable as at July 31, 2024 is as follows:

| **Expiry date** | **Number of options** | **Number of exercisable options** | **Weighted average exercise price** | **Weighted average remaining life** |
|---|---|---|---|---|
| | # | # | $ | Years |
| November 8, 2025 | 11,050,000 | 11,050,000 | 0.10 | 1.27 |
| August 24, 2027 | 10,740,000 | 7,855,843 | 0.05 | 3.07 |
| October 27, 2028 | 1,000,000 | 333,333 | 0.05 | 4.24 |
| | 22,790,000 | 19,239,176 | 0.07 | 2.25 |

## 16. GENERAL AND ADMINISTRATION

A summary of the Company's general and administration for the years ended July 31, 2024 and 2023 is as follows:

| | **2024** | Years ended July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Advertising, promotion and selling costs | **213,218** | 425,007 |
| Investor relations | **25,290** | 40,990 |
| Office expenses and general administration | **680,668** | 1,261,677 |
| Utilities | **10,289** | - |
| Recovery for expected credit losses on receivables (Note 5) | **(15,452)** | - |
| Travel and entertainment | **12,829** | 27,116 |
| | **926,842** | 1,754,790 |

(Expressed in Canadian dollars, except where noted)

## 17. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

A summary of the Company's related party transactions for the years ended July 31, 2024 and 2023 is as follows:

| | **2024** | Year ended July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Directors' fees included in general and administration [(1)] | **63,021** | 65,194 |
| Management and consulting fees | **530,162** | 628,000 |
| Share-based compensation | **25,000** | 116,396 |
| | **618,183** | 809,590 |

(1) Included under office expenses and general administration within general and administration (Note 16).

As at July 31, 2024, $310,220 (July 31, 2023 - $99,079) was owed to directors and officers or their related companies in respect of the services rendered and were included in accounts payable and accrued liabilities. These are non-interest bearing and payable on demand.

## 18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

A summary of the significant non-cash transactions and supplemental disclosure for the years ended July 31, 2024 and 2023 is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Conversion of convertible debentures principal into common shares | **155,000** | 302,000 |
| Settlement of convertible debentures interest with cash | **41,000** | - |
| Settlement of convertible debentures interest with common shares | **1,306,889** | 90,894 |
| Cash interest paid | **7,503** | - |

## 19. SEGMENTED INFORMATION

The Company operates in three segments, referred to as AMA, Infused MFG, and Corporate. AMA is focused on the cultivation and sale of medical and adult use cannabis products, and Infused MFG is focused on the manufacturing of Hemp derived CBD products. The corporate head office is located in Canada while the operations of AMA and Infused MFG are located in the United States. All revenues are earned in the United States. All long-lived assets are located or owned in the United States.

A summary of the Company's carrying amount of assets and liabilities by operating segment as at July 31, 2024 is as follows:

| | **AMA** | **Infused MFG** | **Corporate** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total assets | 16,678,751 | 752 | 188,849 | 16,868,352 |
| Total liabilities | 17,248,624 | 163,470 | 4,291,730 | 21,703,824 |

A summary of the Company's carrying amount of assets and liabilities by operating segment as at July 31, 2023 is as follows:

| | **AMA** | **Infused MFG** | **Corporate** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total assets | 16,897,951 | 478,727 | 643,051 | 18,019,729 |
| Total liabilities | 17,812,122 | 199,328 | 5,271,431 | 23,282,881 |

## 20. OTHER INCOME

During the year ended July 31, 2024, the Company received payroll tax refunds of $nil (2023 - $1,739,552), from the IRS related to the Coronavirus Aid, Relief, and Economic Security Act ("CARES") act that was enacted on December 27, 2020. In the CARES act there was the Employee Retention Credit created to help encourage businesses to keep employees on their payroll during the COVID pandemic.

## 21. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

### a) Fair value

IFRS 13 *Fair Value Measurement,* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

The Company measures biological assets at fair value which is categorized as Level 3.

The carrying values of cash, receivables, accounts payable and accrued liabilities, and convertible debentures approximate their respective fair values due to the short-term nature of these instruments. The Company's financial instruments are classified as and measured at amortized cost.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

The types of risk exposure and the way in which such exposures are managed are as follows:

### b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and receivables. The Company minimizes its credit risk related to cash by placing cash with major financial institutions. The Company regularly reviews the collectability of its receivables. The Company considers the credit risk related to both cash and receivables to be minimal, as the amounts presented in the financial statements already show the expected recoverable amount, which, based on historical trends, is considered reasonable.

For the year ended July 31, 2024, the Company had only two customers (July 31, 2023 - one) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 11.1% and 10.3% of total revenue attributed to cannabis products for the year ended July 31, 2024 (2023 – one customer represented 11.2%)

### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's liquidity risk relates primarily to accounts payable and accrued liabilities, lease liability, note payable, as well as convertible debentures. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company endeavors to ensure that there is sufficient capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of assets, liabilities and cash flows.

## 21. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

A summary of the Company's undiscounted financial liabilities as at July 31, 2024 is as follows:

| | Within 1 year | 1 - 3 years | Greater than 3 years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 4,863,718 | - | - | 4,863,718 |
| Lease liability | 1,960,391 | 4,731,470 | 25,564,190 | 32,256,051 |
| Note payable | 23,610 | - | - | 23,610 |
| Convertible debentures | - | 3,073,000 | - | 3,073,000 |
| | **6,847,719** | **7,804,470** | **25,564,190** | **40,216,379** |

The Company's cash is deposited in major banks, which is available on demand to fund the Company's operating costs and other financial demands.

### d) Foreign exchange risk

The Company's operational activities are conducted in the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar relative to the Canadian dollar. Foreign exchange risk arises from financial assets and liabilities that are denominated in U.S. dollars. The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is significant.

A summary of the Company's financial assets and liabilities held in U.S. dollar, expressed in Canadian dollars, is as follows:

| | **July 31, 2024** | July 31, 2023 |
|---|---|---|
| | **$** | $ |
| Cash | **431,639** | 1,074,208 |
| Receivables | **1,937,522** | 2,231,302 |
| Accounts payable and accrued liabilities | **(3,546,155)** | (3,356,702) |
| Income tax payable | **(276,097)** | (1,694,210) |
| Lease liability | **(13,852,011)** | (13,105,395) |
| Note payable | **(54,455)** | (58,902) |
| **Net financial liabilities** | **(15,359,557)** | (14,909,699) |

The effect on net loss and comprehensive loss for the year ended July 31, 2024, of a 10% change in Canadian dollar against the U.S dollar on the above-mentioned net financial liabilities of the Company is estimated to have an increase or decrease in foreign exchange gain or loss of $1,535,956.

### e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any cash flow interest rate volatility as its convertible debentures and note payable are carried at a fixed interest rate throughout their term.

(Expressed in Canadian dollars, except where noted)

## 22. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The capital structure of the Company consists of shareholder's deficiency, which was $4,835,472 as at July 31, 2024 (July 31, 2023 - $5,263,152), and convertible debentures, which was $2,869,327 as at July 31, 2024 (July 31, 2023 - $4,406,730). The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing. As at July 31, 2024, the Company is not subject to externally imposed capital requirement.

## 23. INCOME TAX

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended July 31, 2024 and 2023, is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Loss before income taxes | **(2,254,085)** | (13,443,221) |
| Income tax recovery at statutory rates | **(609,000)** | (3,630,000) |
| Non deductible expenditure and non-taxable revenues | **735,000** | 1,567,000 |
| Change in statutory, foreign tax, foreign exchange rates and other | **(275,000)** | (287,000) |
| Temporary differences originated in the year | **(80,000)** | 640,000 |
| Change in unrecognized deferred tax assets | **(1,401,000)** | 1,980,534 |
| Statutory penalties and interest | **-** | 245,000 |
| Total tax (recovery) expense | **(1,630,000)** | 515,534 |
| Current tax (recovery) expense | **(1,630,000)** | 515,534 |
| Deferred tax expense | **-** | - |

| | **2024** | 2023 |
|---|---|---|
| Deferred tax assets (liabilities) | **$** | $ |
| Share Issuance Costs and Financing Fees | **27,000** | 53,000 |
| Non-Capital losses | **12,909,000** | 11,328,000 |
| Property and equipment | **141,000** | 129,000 |
| Intangible assets | **4,000** | 4,000 |
| Mineral Resource Properties | **63,000** | 63,000 |
| Lease Liability | **610,000** | 612,000 |
| Biological Assets | **(89,000)** | 755,000 |
| Investment | **46,000** | 46,000 |
| Allowance for doubtful accounts | **41,000** | - |
| | **13,752,000** | 12,990,000 |
| Unrecognized deferred tax asset | **(13,752,000)** | (12,990,000) |
| **Net deferred tax asset** | **-** | - |

(Expressed in Canadian dollars, except where noted)

## 23. INCOME TAX (continued)

A summary of the significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position is as follows:

| | **July 31, 2024** | **Expiry Date Range** | July 31, 2023 | Expiry Date Range |
|---|---|---|---|---|
| | $ | | $ | |
| Temporary difference | | | | |
| Share Issuance Costs and Financing Fees | 99,000 | 2042 to 2045 | 197,000 | 2042 to 2045 |
| Allowable Capital losses | - | No expiry date | - | No expiry date |
| Non-Capital losses | 50,487,000 | 2028 to 2041 | 44,530,000 | 2028 to 2041 |
| Property and equipment | 617,000 | No expiry date | 611,000 | No expiry date |
| Land | - | No expiry date | - | No expiry date |
| Intangible assets | 17,000 | No expiry date | 17,000 | No expiry date |
| Mineral Resource Properties | 233,000 | No expiry date | 233,000 | No expiry date |
| Lease Liability | 2,266,000 | No expiry date | 2,917,000 | No expiry date |
| Biological Assets | (331,000) | No expiry date | 3,595,000 | No expiry date |
| Investment | 344,000 | No expiry date | 344,000 | No expiry date |
| Allowance for doubtful accounts | 152,000 | No expiry date | - | No expiry date |
| **Canada** | **34,880,000** | **2029 to 2043** | 32,940,000 | 2029 to 2043 |
| **USA** | **15,607,000** | **indefinite** | 11,590,000 | indefinite |

Section 280E of the Tax Code prohibits businesses from taking deductions or credits in carrying on any trade or business consisting of trafficking in controlled substances which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from underpayment of taxes due to the application of Section 280E. Under a number of cases, the United States Supreme Court has held that income means gross income (not gross receipts). Under this reasoning, the cost of goods sold is permitted as a reduction in determining gross income, notwithstanding Section 280E.

(Expressed in Canadian dollars, except where noted)

## 24. DISCONTINUED OPERATIONS

For the year ending July 31, 2024, the Company's subsidiary, Infused, ceased operations. This decision was prompted by a key customer halting purchases, and due to the declining CBD market which contributed to the unfeasibility of sustaining operations. As a result, management ceased operations as of May 2024 and has classified these operations separately as discontinued operations.

A summary of the net (loss) income and comprehensive (loss) income from discontinued operations are as follows:

| | | For the year ended July 31, |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| Revenues | **598,528** | 1,391,716 |
| Cost of sales | **(532,950)** | (627,721) |
| Gross profit | **65,578** | 763,995 |
| Expenses (income) | | |
| Depreciation | **39,177** | 94,754 |
| Gain on disposal of assets held for sale | **-** | (13,403) |
| General and administration | **241,737** | 617,835 |
| Interest expense | **-** | (23,376) |
| License taxes and insurance | **5,011** | 63,089 |
| Management and consulting fees | **66,469** | - |
| Other income | **-** | (769,981) |
| Professional fees | **23,569** | 164,809 |
| Wages and benefits | **19,234** | 1,719 |
| | **395,197** | 135,446 |
| Net (loss) income from discontinued operations before income taxes | **(329,619)** | 628,549 |
| Income tax expense | **-** | - |
| Net (loss) income and comprehensive (loss) income from discontinued operations | **(329,619)** | 628,549 |
| Net (loss) earnings per share from discontinuing operations | | |
| Basic and diluted | **(0.00)** | 0.00 |

A summary of the statement of cash flow from discontinued operations are as follows:

| | | |
|---|---|---|
| Net cash provided by (used in) operating activities | **42,682** | 497,936 |
| Net cash provided by investing activities | **-** | 709,372 |
| Net cash used in financing activities | **-** | (45,042) |
| Change in cash from discontinuing operations | **42,682** | 1,162,266 |