



1933 INDUSTRIES INC.

Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three Months Ended October 31, 2024 and 2023

Pursuant to National Instrument 51-102 Continuous Disclosure Obligations, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of 1933 Industries Inc. for the interim periods ended October 31, 2024 and 2023, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, MNP LLP, have not performed a review of these unaudited condensed interim consolidated financial statements.

February 26, 2025

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

	Note	October 31, 2024	July 31, 2024
		\$	\$
ASSETS			
Current			
Cash		241,610	449,184
Receivables	5	2,121,363	2,008,667
Inventory	6	2,369,568	2,725,525
Biological assets	7	279,407	425,729
Prepaid expenses and deposits	8	404,416	374,720
		5,416,364	5,983,825
Property and equipment	9	10,746,821	10,884,527
Total assets		16,163,185	16,868,352
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10,16	4,215,705	4,863,718
Income tax payable		66,453	64,313
Current portion of lease liability	11	495,242	439,763
Note payable	12	54,877	54,455
		4,832,277	5,422,249
Convertible debentures	13	3,036,821	2,869,327
Lease liability	11	13,481,353	13,412,248
Total liabilities		21,350,451	21,703,824
SHAREHOLDERS' DEFICIENCY			
Share capital	14(b)	83,856,671	83,856,671
Reserves	14(c)	10,799,089	10,795,979
Accumulated other comprehensive loss		(580,740)	(787,569)
Deficit		(97,986,329)	(97,399,298)
Deficiency attributable to shareholders of the Company		(3,911,309)	(3,534,217)
Non-controlling interest		(1,275,957)	(1,301,255)
Total shareholders' deficiency		(5,187,266)	(4,835,472)
Total liabilities and shareholders' deficiency		16,163,185	16,868,352

Nature of operations and going concern (Note 1)

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

/s/ "Brian Farrell"

Director

/s/ "Paul Rosen"

Director

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

1933 INDUSTRIES INC.
Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars, except share numbers)

		Three months ended	
	Note	2025	October 31, 2024
		\$	\$
Revenues		3,993,007	5,283,382
Cost of sales		(2,756,077)	(1,501,570)
Gross profit, excluding fair value adjustments		1,236,930	3,781,812
Change in fair value due to biological transformation		411,780	-
Fair value adjustment on sale of biological assets		(341,271)	(2,135,789)
Gross profit		1,307,439	1,646,023
Expenses (income)			
Accretion expense		63,938	-
Depreciation	9	20,814	8,496
Foreign exchange		-	(440)
Gain on sale of property and equipment	9	294,690	288,695
General and administration	15,18	482,124	450,687
Interest expense		776,886	845,219
License taxes and insurance		(14,407)	-
Management and consulting fees	16	183,552	145,162
Other income		(96)	(15)
Professional fees		(38,275)	77,578
Share-based compensation	16	3,110	8,954
Wages and benefits		112,932	202,099
		1,885,268	2,026,434
Loss before income tax expense		(577,829)	(380,411)
Current income tax expense		-	-
Net loss for the period		(577,829)	(380,411)
Net loss from discontinued operations	22	(4,173)	(13,978)
Foreign currency translation adjustment		227,098	193,521
Comprehensive loss for the period		(354,904)	(200,868)
Net loss attributable to:			
Shareholders of the Company		(587,031)	(362,786)
Non-controlling interest		5,029	(31,603)
Foreign currency translation adjustment attributable to:			
Shareholders of the Company		206,829	184,391
Non-controlling interest		20,269	9,130
Comprehensive loss attributable to:			
Shareholders of the Company		(380,202)	(178,395)
Non-controlling interest		25,298	(22,473)
Net loss per share			
Basic and diluted		(0.00)	(0.00)
Weighted average number of shares			
Basic and diluted		490,471,657	461,233,870

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

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

	Three months ended	
	October 31,	
	2024	
	2025	(Note 22)
	\$	\$
Operating activities		
Net loss for the period	(586,175)	(380,411)
Adjustments for:		
Depreciation included in cost of sales	247,059	402,184
Change in fair value due to biological transformation	(411,780)	-
Fair value adjustment on sale of biological assets	341,271	2,135,789
Accretion expense	63,938	-
Depreciation	11,439	19,338
Gain on sale of property and equipment	(14,407)	-
Interest expense	480,790	455,263
Share-based compensation	3,110	8,954
Changes in non-cash working capital:		
Receivables	(109,832)	(207,276)
Inventory	355,957	(811,140)
Biological assets	216,831	(2,102,832)
Prepaid expenses and deposits	(29,696)	126,639
Accounts payable and accrued liabilities	(649,279)	272,126
Income tax payable	2,140	89,230
Net cash (used in) provided by operating activities	(78,634)	7,864
Investing activities		
Proceeds from sale of property and equipment	14,407	(321,919)
Net cash provided by (used in) investing activities	14,407	(321,919)
Financing activities		
Repayment of lease liability	(359,510)	(339,698)
Repayment of note payable	-	(11,554)
Net cash used in financing activities	(359,510)	(351,252)
Effect of exchange rate on changes on cash	204,215	281,688
Change in cash from discontinuing operations	11,948	54,218
Change in cash from continuing operations	(219,522)	(383,619)
Cash, beginning of period	449,184	1,092,562
Cash, end of period	241,610	763,161

Supplemental disclosure with respect to cash flows (Note 18)

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

1933 INDUSTRIES INC.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited - 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, 2023	461,233,870	82,387,033	10,335,086	(594,933)	(95,820,123)	(1,570,215)	(5,263,152)
Share-based compensation	-	-	8,954	-	-	-	8,954
Non-controlling interest	-	-	-	-	-	(31,603)	(31,603)
Foreign currency translation adjustment	-	-	-	184,391	-	9,130	193,521
Net loss for the period	-	-	-	-	(362,786)	-	(362,786)
Balance, October 31, 2024	461,233,870	82,387,033	10,344,040	(410,542)	(96,182,909)	(1,592,688)	(5,455,066)
Shares issued - conversion of convertible debentures \$0.05	29,237,787	1,469,638	(16,704)	-	-	-	1,452,934
Issuance of convertible debentures \$0.05	-	-	437,172	-	(437,172)	-	-
Share-based compensation	-	-	31,471	-	-	-	31,471
Non-controlling interest	-	-	-	-	-	219,902	219,902
Foreign currency translation adjustment	-	-	-	(377,027)	-	71,531	(305,496)
Net loss for the period	-	-	-	-	(779,217)	-	(779,217)
Balance, July 31, 2024	490,471,657	83,856,671	10,795,979	(787,569)	(97,399,298)	(1,301,255)	(4,835,472)
Share-based compensation	-	-	3,110	-	-	-	3,110
Non-controlling interest	-	-	-	-	-	5,029	5,029
Foreign currency translation adjustment	-	-	-	206,829	-	20,269	227,098
Net loss for the period	-	-	-	-	(587,031)	-	(587,031)
Balance, October 31, 2024	490,471,657	83,856,671	10,799,089	(580,740)	(97,986,329)	(1,275,957)	(5,187,266)

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

1933 INDUSTRIES INC.

Notes to the Consolidated Financial Statements

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

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 "TGIF" 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 22).

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 three months ended October 31, 2024, the Company incurred a net loss of \$577,829 (2024 - \$380,411). As at October 31, 2024, the Company had an accumulated deficit of \$97,986,329 (July 31, 2024 - \$97,399,298) and a working capital of \$584,087 (July 31, 2024 - \$561,576). 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 condensed interim consolidated financial statements for the three months ended October 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 International Accounting Standard 34 Interim Financial Reporting, using accounting policies consistent with IFRS® Accounting Standards issued by the International Accounting Standards Board ("IASB") and the IFRIC® Interpretations of the IFRS Interpretations Committee. As such, these financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended July 31, 2024 and 2023 ("Annual Financial Statements").

These financial statements were approved by the Board of Directors and authorized for issue on February 26, 2025.

1933 INDUSTRIES INC.

Notes to the Consolidated Financial Statements

For the three months ended October 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars, except where noted)

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 October 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	Discontinued
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

These financial statements were prepared using accounting policies consistent with those in Note 3 to the Annual Financial Statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and judgments, in applying accounting policies. Management continually evaluates these estimates and judgments based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. The Company's interim results are not necessarily indicative of its results for a full year. The significant estimates and judgments applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 4 to the Annual Financial Statements.

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

5. RECEIVABLES

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

	October 31, 2024	July 31, 2024
	\$	\$
Trade receivables	2,032,002	1,934,292
Other	89,361	74,375
	2,121,363	2,008,667

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

	October 31, 2024	July 31, 2024
	\$	\$
Current	1,608,143	1,214,726
1 – 30 days	569,668	480,608
31 – 60 days	49,379	199,623
61 – 90 days	61,244	63,689
> 90 days	189,847	472,387
	2,478,281	2,431,033
Expected credit loss provision	(356,918)	(422,366)
	2,121,363	2,008,667

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

	\$
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
Provision for expected credit loss	42,378
Recovery for expected credit loss	(107,826)
Balance, October 31, 2024	356,918

As at October 31, 2024, trade receivables are presented net of lifetime expected credit losses of \$356,918 (July 31, 2024 - \$422,366). During the three months ended October 31, 2024, general and administration included a provision for expected credit losses on trade receivables of \$42,378 (2024 - \$7,282).

6. INVENTORY

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

	October 31, 2024	July 31, 2024
	\$	\$
Raw materials	304,205	301,866
Harvested cannabis and trim	1,235,296	1,081,219
Cannabis oil and equivalent	196,772	281,713
Finished goods	633,295	1,060,727
	2,369,568	2,725,525

During the three months ended October 31, 2024, the Company recorded \$2,756,077 (2023 - \$1,501,570) for inventory expensed to cost of sales.

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

7. BIOLOGICAL ASSETS

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

	\$
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
Capitalized production costs	2,016,369
Transferred to inventory upon harvest	(2,163,193)
Effects of movement in foreign exchange	502
Balance, October 31, 2024	279,407

As at October 31, 2024, the carrying value of biological assets comprises cannabis plants. On average, the grow cycle is approximately 13 weeks (July 31, 2024 - 13 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 19). 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:

	October 31, 2024	July 31, 2024
Estimated sales price per gram ⁽¹⁾	\$3.48	\$2.73
Weighted average stage of growth	6 weeks	5 weeks
Expected yield per plant	82 grams	182 grams
Wastage	1.64%	1.05%
Post-harvest processing cost per gram ⁽²⁾	\$0.97	\$1.51

(1) Estimated sales price per gram input is translated from USD\$2.50 (July 31, 2024 - USD\$1.98).

(2) Post-harvest processing cost per gram input is translated from USD\$0.70 (July 31, 2023 - USD\$1.09).

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.

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - 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:

	October 31, 2024	July 31, 2024
	\$	\$
Estimated sales price per gram	105,399	128,018
Weighted average stage of growth	13,685	21,014
Expected yield per plant	20,078	30,830
Wastage	(3,087)	(4,638)
Post-harvest processing cost per gram	(29,450)	(63,466)

8. PREPAID EXPENSES AND DEPOSITS

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

	October 31, 2024	July 31, 2024
	\$	\$
Prepaid expenses	169,279	141,392
Security deposit on leased facilities	235,137	233,328
	404,416	374,720

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

9. PROPERTY AND EQUIPMENT

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

	Leasehold improvements	Production equipment	Office equipment	Right of use assets	Total
	\$	\$	\$	\$	\$
Cost					
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
Reclass	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
Disposals	-	(146,893)	-	-	(146,893)
Effects of movement in foreign exchange	12,938	104,137	3,392	111,746	232,213
Balance, October 31, 2024	1,680,243	4,754,813	488,224	14,533,239	21,456,519
Accumulated depreciation					
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
Depreciation	32,624	32,793	4,811	197,645	267,873
Disposals	-	(146,893)	-	-	(146,893)
Effects of movement in foreign exchange	7,674	33,104	22,296	38,972	102,046
Balance, October 31, 2024	950,464	4,520,763	457,979	4,780,492	10,709,698
Carrying amount					
Balance, July 31, 2024	757,139	195,810	53,960	9,877,618	10,884,527
Balance, October 31, 2024	729,779	234,050	30,245	9,752,747	10,746,821

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

9. PROPERTY AND EQUIPMENT (continued)**During the three months ended October 31, 2024:**

The Company disposed of production equipment with a cost of \$146,893 and \$146,893 accumulated depreciation and recorded a gain on sale of property and equipment of \$14,407.

Total depreciation of property and equipment for the three months ended October 31, 2024 was \$267,873 (2024 - \$421,522). Of the total depreciation during three months ended October 31, 2024, \$247,059 was capitalized to inventory (2024 - \$402,184). As a result of the capitalization to inventory, the Company recognized a depreciation expense for the three months ended October 31, 2024 of \$20,814 (2024 - \$19,338) in profit or loss.

During the year ended July 31, 2023:

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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	October 31, 2024	July 31, 2024
	\$	\$
Trade payables	3,320,595	3,944,674
Accrued liabilities	816,035	814,700
Payroll liabilities	79,075	104,344
	4,215,705	4,863,718

11. LEASE LIABILITY

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

	\$
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
Repayments	(359,510)
Interest expense	376,439
Effects of movement in foreign exchange	107,655
Balance, October 31, 2024	13,976,595
Current portion	495,242
Non-current portion	13,481,353

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

11. LEASE LIABILITY (continued)

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.

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

	October 31, 2024
	\$
2025	2,013,278
2026	1,557,043
2027	1,587,646
2028	1,635,275
Thereafter	25,346,391
Total future minimum lease payments ¹	32,139,633
Effects of discounting	(18,163,038)
Total present value of minimum lease payments	13,976,595

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

12. NOTE PAYABLE

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

	\$
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
Interest expense	795
Installment payments	(11,622)
Effects of movement in foreign exchange	11,249
Balance, October 31, 2024	54,877

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

13. CONVERTIBLE DEBENTURES

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

	Amended Debentures	2024 Debentures
	\$	\$
Balance, July 31, 2022	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
Accretion expense	-	63,938
Interest expense	-	103,556
Balance, October 31, 2024	-	3,036,821

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 during the year ended July 31, 2024, the Company has recorded a gain on extinguishment of \$483,941 in the statement of loss.

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

14. 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 October 31, 2024, there were 490,471,657 common shares outstanding (July 31, 2024 - 490,471,657).

The Company did not record any common share transactions during the three months ended October 31, 2024.

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.

c) Reserves

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

	Stock options	Convertible debentures	Warrants	Total
	\$	\$	\$	\$
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)	-	-
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
Share-based compensation	3,110	-	-	3,110
Balance, October 31, 2024	6,464,901	64,491	4,269,697	10,799,089

d) Warrants

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

	Number of warrants	Weighted average exercise price
	#	\$
Balance, October 31, 2024 and July 31, 2024	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.

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

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14. SHARE CAPITAL AND RESERVES (continued)

A summary of the Company's share purchase warrants outstanding and exercisable as at October 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	1.02

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, 2023	24,540,000	0.07
Granted	1,000,000	0.05
Forfeited	(2,750,000)	0.05
Balance, October 31, 2024 and July 31, 2024	22,790,000	0.07

A summary of the Company's stock options outstanding and exercisable as at October 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	1.02
August 24, 2027	10,740,000	7,855,843	0.05	2.81
October 27, 2028	1,000,000	333,333	0.05	3.99
	22,790,000	19,239,176	0.07	2.00

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(Unaudited - Expressed in Canadian dollars, except where noted)

15. GENERAL AND ADMINISTRATION

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

	Three months ended October 31,	
	2024	2023
	\$	\$
Advertising, promotion and selling costs	62,395	41,580
Investor relations	(1,500)	4,946
Public company admin	(1,205)	12,790
Office expenses and general administration	188,154	208,537
Utilities	2,457	11,787
Provision for expected credit losses on receivables (Note 5)	42,378	7,282
Travel and entertainment	2,011	1,773
	294,690	288,695

16. 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 is as follows:

	Three months ended October 31,	
	2024	2023
	\$	\$
Directors' fees included in general and administration ⁽¹⁾	8,000	14,960
Management and consulting fees	183,552	145,161
Share-based compensation	2,542	6,513
	194,094	166,634

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

As at October 31, 2024, \$288,025 (July 31, 2024 - \$310,220) 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.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	2024	2023
	\$	\$
Cash interest on lease paid	275,659	370,602
Cash interest on note payable paid	-	2,491

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

18. 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 October 31, 2024 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Total assets	16,007,560	-	155,625	16,163,185
Total liabilities	16,738,419	-	4,612,032	21,350,451

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	17,248,626	163,470	4,291,730	21,703,824

19. 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 three months ended October 31, 2024, the Company had only two customers (July 31, 2024 - two) which individually contributed 10% or more of the Company's total revenue for the period. Individually, these customers represented 12.5% and 11.9% of total revenue attributed to cannabis products for the year ended July 31, 2024 (2023 – two customers represented 11.1% and 10.3%)

20. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

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.

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

	Within 1 year	1 - 3 years	Greater than 3 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,215,705	-	-	4,215,705
Lease liability	2,013,278	4,779,964	25,346,391	32,139,633
Note payable	11,805	-	-	11,805
Convertible debentures	-	3,036,821	-	3,036,821
	6,240,788	7,816,785	25,346,391	39,403,964

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:

	October 31, 2024	July 31, 2024
	\$	\$
Cash	224,065	431,639
Receivables	2,035,008	1,937,522
Accounts payable and accrued liabilities	(2,805,576)	(3,546,155)
Income tax payable	(278,237)	(276,097)
Lease liability	(13,976,595)	(13,852,011)
Note payable	(54,877)	(54,455)
Net financial liabilities	(14,856,212)	(15,359,557)

The effect on net loss and comprehensive loss for the three months ended October 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 \$1,485,621.

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.

1933 INDUSTRIES INC.**Notes to the Consolidated Financial Statements****For the three months ended October 31, 2024 and 2023**

(Unaudited - Expressed in Canadian dollars, except where noted)

21. 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 \$5,134,019 as at July 31, 2024 (July 31, 2024 - \$4,772,419), and convertible debentures, which was \$3,036,821 as at October 31, 2024 (July 31, 2024 - \$2,869,327). 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.

22. DISCONTINUED OPERATIONS

During the three months ended October 31, 2024, the Company's subsidiary, Infused, ceased operations as of May 2024 due to key customer no longer purchasing products and operations no longer profitable the results of operations have been classified separately as discontinued operations.

Net loss and comprehensive loss from discontinued operations are as follows:

	Three months ended October 31,	
	2024	2023
	\$	\$
Revenues	7,037	231,005
Cost of sales	(45)	(156,688)
Gross profit	6,992	74,317
Expenses (income)		
Depreciation	8,994	10,842
General and administration	2,035	86,892
License taxes and insurance	136	7,495
Other income	-	(19,546)
Professional fees	-	1,275
Wages and benefits	-	1,336
	11,165	88,295
Net (loss) income from discontinued operations before income taxes	(4,173)	(13,978)
Income tax expense	-	-
Net (loss) income and comprehensive loss from discontinued operations	(4,173)	(13,978)
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 operating activities	11,948	54,218
Net cash provided by investing activities	-	10,289
Net cash used in financing activities	-	-
Change in cash from discontinuing operations	11,948	64,507