AVANT

April 15, 2024

Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian dollars)

Three Months Ending February 29, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

The accompanying condensed consolidated interim financial statements of Avant Brands Inc. (the "Company") have been prepared by management in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by a company's auditor.

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AVANT BRANDS INC.
Condensed Interim Consolidated Statements of Financial Position
As at February 29, 2024 and November 30, 2023
(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note		February 29, 2024		November 30, 2023
Assets					
Current assets					
Cash		**$**	**795**	$	772
Trade and other receivables	4		**4,142**		3,847
Prepaid expenses and deposits	5		**1,367**		1,611
Biological assets	6		**6,960**		8,033
Inventory	7		**20,815**		20,904
Marketable securities			**16**		22
			34,095		35,189
Property, plant and equipment	8		**38,736**		39,284
Goodwill	9		**6,024**		6,024
Intangible assets	9		**1,713**		2,055
Total assets		**$**	**80,568**	$	82,552
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**12,899**	$	13,023
Lease liabilities	10		**1,396**		1,277
Promissory note	11		**425**		727
Convertible debenture	12		**1,946**		4,658
Convertible debenture - conversion feature	12		**68**		-
Secured credit facility	13		**1,536**		1,532
			18,270		21,217
Lease liabilities	10		**9,084**		8,767
Convertible debenture	12		**1,364**		-
Secured credit facility	13		**1,517**		1,741
Deferred tax liability			**1,499**		1,499
Total liabilities			**31,734**		33,224
Shareholders' equity					
Share capital	14		**106,809**		104,571
Contributed surplus	14		**10,242**		10,670
Accumulated deficit			**(68,217)**		(65,913)
Equity attributable to equity holders of the parent			**48,834**		49,328
Non-controlling interests			**-**		-
Total shareholders' equity			**48,834**		49,328
Total liabilities and shareholders' equity		**$**	**80,568**	$	82,552

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 19)

Approved on behalf of the Board on April 12, 2024:

/s/ Duane Lo, Director

/s/ Derek Sanders, Director

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended February 29, 2024 and February 28, 2023

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Note		**February 29, 2024**		February 28, 2023
Revenue		**$**	**8,930**	$	7,874
Excise taxes			**(854)**		(845)
Net revenue	16		**8,076**		7,029
Cost of sales			**(3,357)**		(4,104)
Gross profit before fair value changes			**4,719**		2,925
Unrealized gain on changes in fair value of biological assets			**5,535**		3,379
Change in fair value of biological assets realized through inventory sold			**(9,357)**		(3,313)
Gross profit			**897**		2,991
Operating expenses					
Administration and general			**403**		367
Business fees and licenses			**348**		274
Consulting fees			**152**		132
Depreciation and amortization	8,9		**400**		532
Marketing and advertising			**84**		65
Professional fees			**346**		500
Salaries and wages			**610**		731
Share based payments	15		**172**		321
Travel			**33**		47
			2,548		2,969
Net income (loss) from operations			**(1,651)**		22
Other income (expense)					
Unrealized gain (loss) on marketable securities			**(6)**		3
Financing costs	10		**(7)**		(12)
Equity loss on investment in associate and joint venture			**-**		(263)
Interest and accretion	11,12,13		**(472)**		-
Loss on debt modification			**(614)**		-
Other income			**-**		27
Foreign exchange loss			**(1)**		-
Net loss before income tax		**$**	**(2,751)**	$	(223)
Current income tax expense			**-**		-
Deferred income tax expense			**-**		-
Net loss and comprehensive loss			**(2,751)**		(223)
Attributable to:					
Equity holders of the parent			**(2,751)**		(91)
Non-controlling interests			**-**		(132)
Loss per common share					
Basic and diluted		**$**	**(0.01)**	$	(0.00)
Weighted average shares outstanding					
Basic and diluted			**261,293,415**		216,028,724

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Changes in Equity

For the three-month periods ended February 29, 2024 and February 28, 2023

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

	Attributable to equity holders of the Company										
	Shares		**Share capital**		**Contributed Surplus**		**Deficit**		**Equity – NCI**		**Total**
Balance at November 30, 2022	**206,094,740**	**$**	**94,542**	**$**	**8,666**	**$**	**(59,289)**	**$**	**4,324**	**$**	**48,243**
Net loss for the period	-		-		-		(91)		(132)		(223)
Share units released	902,665		279		(355)		-		-		(76)
Shares issued for services	931,406		188		(24)		-		-		164
3PL NCI purchase	22,249,734		3,905		856		1,000		(4,252)		1,509
3PL NCI purchase transaction costs	-		-		-		(145)		-		(145)
Contribution to Avant K1	7,402,186		1,628		-		-		-		1,628
Avant K1 acquisition	-		-		-		-		1,132		1,132
Share-based compensation	-		-		176		-		-		176
Balance at February 28, 2023	**237,580,731**	**$**	**100,542**	**$**	**9,319**	**$**	**(58,525)**	**$**	**1,072**	**$**	**52,408**
Balance at November 30, 2023	**259,088,554**	**$**	**104,571**	**$**	**10,670**	**$**	**(65,913)**	**$**	**-**	**$**	**49,328**
Net loss for the period	-		-		-		(2,751)		-		(2,751)
Share units released	51,724		10		(10)		-		-		-
Shares issued for services	819,841		130		(130)		-		-		-
Convertible debenture modification	16,355,140		1,799		(515)		447		-		1,731
Warrants issued on debt modification	-		-		55		-		-		55
Promissory note modification	672,897		74		-		-		-		74
Share-based compensation	1,607,143		225		172		-		-		397
Balance at February 28, 2024	**278,595,299**	**$**	**106,809**	**$**	**10,242**	**$**	**(68,217)**	**$**	**-**	**$**	**48,834**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

AVANT BRANDS INC.

Condensed Interim Consolidated Statements of Cash Flows

For the three-month periods ended February 29, 2024 and February 28, 2023

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

		February 29, 2024		February 28, 2023
Net loss	**$**	**(2,751)**	$	(223)
Adjustments for non-cash items:				
Unrealized gain on changes in fair value of biological assets		**(5,535)**		(3,379)
Change in fair value of biological assets realized through inventory sold		**9,357**		3,313
Other income		**1**		(75)
Loss on debt modification		**614**		-
Unrealized (gain) loss on marketable securities		**6**		(3)
Depreciation and amortization		**1,418**		1,451
Interest and accretion		**479**		-
Equity loss on investment in associate and joint venture		**-**		263
Financing costs		**7**		89
Share-based payments		**172**		321
		3,768		1,757
Changes in working capital				
Trade and other receivables		**(295)**		(1,365)
Prepaid expenses and deposits		**244**		169
Biological assets		**(2,749)**		297
Inventory		**329**		(1,903)
Accounts payable and accrued liabilities		**(129)**		1,581
Net cash flows generated from operating activities		**1,168**		536
Cash flows from investing activities				
Disposal of property and equipment		**9**		-
Acquisition of Avant K1		**-**		21
Investment in associate and joint venture		**-**		(1,595)
Loans to joint venture		**-**		(250)
3PL NCI buyout		**-**		(1,500)
3PL NCI buyout transaction costs		**-**		(145)
Purchase of property, plant and equipment		**-**		(923)
Net cash flows generated from (used in) investing activities		**9**		(4,392)
Cash flows from financing activities				
Lease liability payments		**(348)**		(244)
Repayment of convertible debenture		**(118)**		-
Repayment of promissory note		**(323)**		-
Repayment of secured credit facility		**(365)**		-
Tax paid on share units released		**-**		(76)
Net cash flows used in investing activities		**(1,154)**		(320)
Increase (decrease) in cash		**23**		(4,176)
Cash – beginning of period		**772**		6,764
Cash – end of period	**$**	**795**	$	2,588

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements

1 Nature and continuance of operations

Avant Brands Inc. (formerly GTEC Holdings Ltd.) (the "Company") was originally incorporated as a capital pool company under the Canada Business Corporations Act. On July 28, 2017, the Company was continued under the Business Corporations Act (British Columbia) as a Capital Pool Company ("CPC"). On June 12, 2018, the Company completed its Qualifying Transaction (as defined under the policies of the TSX Venture Exchange), pursuant to a business combination (the "Business Combination") with GreenTec Holdings Ltd. and 1155425 BC Ltd. Following the completion of the Business Combination, the Company changed its name from Black Birch Capital Acquisition III Corp. to GTEC Holdings Ltd.

The Company's principal business activity is cultivation, production, marketing and sales of cannabis products and pursuing opportunities in the cannabis industry. The Company is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "AVNT" and trades on the OTCQX Best Markets (OTCQX: AVTBF) and Frankfurt Stock Exchange (FRA: 1BU0). The Company's head office is located at Suite 335 – 1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has incurred losses since inception and has an accumulated deficit of $68,217 as at February 29, 2024, that has been funded primarily by the issuance of equity, convertible debentures, secured credit facility and advances from related parties. There is a material uncertainty related to these conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to generate profitable operations or raise adequate financing in the future.

The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations.

Israeli/Palestinian conflict

On October 7, 2023, an armed Israeli/Palestinian conflict broke out. As the Israeli/Palestinian conflict in Gaza develops, it could have an adverse impact on regional and global markets. While our operations and export sales are not directly impacted by these events, the duration of hostilities, imposition of sanctions and related events (including cyberattacks), among others, cannot be predicted. As a result, those events present uncertainty and risk. To date, conflict in Gaza has not had a material impact on the Company's business.

2 Basis of presentation

Statement of compliance and basis of measurement

The condensed interim consolidated financial statements of the Company have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended November 30, 2023, and any public announcements made by the Company during the interim reporting period. Selected explanatory notes are included to explain events and transaction that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out in Note 3.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors of the Company (the "Board") on April 12, 2024.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and the following Canadian subsidiaries:

Subsidiaries	Geographical Region	Ownership percentage
Avant Craft Cannabis Inc. ("ACC")	Edmonton, Alberta	100%
GreenTec Bio-Pharmaceuticals Inc. ("GBP")	Kelowna, British Columbia	100%
GreenTec Holdings Ltd. ("GreenTec")	Kelowna, British Columbia	100%
GreenTec Retail Ventures Inc.	Kelowna, British Columbia	100%
Grey Bruce Farms Incorporated ("Grey Bruce")	Tiverton, Ontario	100%
Spectre Labs Inc.	Kelowna, British Columbia	100%
Tumbleweed Farms Corp. ("Tumbleweed")	Chase, British Columbia	100%
1203648 B.C. Ltd.	Kelowna, British Columbia	100%
3PL Ventures Inc. ("3PL")	Vernon, British Columbia	100%
Avant K1 Brands Inc. ("Avant K1")	Kelowna, British Columbia	100%
The Flowr Group (Okanagan) Inc. ("Flowr Okanagan")	Kelowna, British Columbia	100%

Subsidiaries are entities that the Company controls. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

3 Adoption of new accounting pronouncements

a) New standards and interpretations not yet adopted:

Certain amendments to accounting standards have been published that are not mandatory for the current reporting period and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b) New and amended standards adopted by the Company:

A number of amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

4 Trade and other receivables

As of February 29, 2024, and November 30, 2022, trade and other receivables consisted of:

		February 29, 2024		November 30, 2023
Trade accounts receivable	**$**	**3,911**	$	2,959
Other receivables		**231**		888
Total	**$**	**4,142**	$	3,847

As of February 29, 2024, and November 30, 2023, the Company performed an analysis over its aged receivables balance by customer. The majority of receivables are from government bodies, which generally have low default risk. The remaining balance by customer review showed a history of collections from trade and other receivables being reasonably assured. From the review, the Company noted that no further allowance is required, and the Company recognized a $nil provision for allowance for doubtful accounts as at February 29, 2024 (November 30, 2023: $nil).

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

5 Prepaid expenses and deposits

As of February 29, 2024, and November 30, 2023, prepaid expenses and deposits consisted of:

		February 29, 2024		November 30, 2023
Insurance	**$**	**219**	$	277
Packaging material prepayments		**143**		88
Deposits and other		**1,005**		1,246
	$	**1,367**		1,611

6 Biological assets

The following is the continuity of biological assets:

		February 29, 2024		November 30, 2023
Carrying amount, opening	**$**	**8,033**	$	4,146
Avant K1 acquisition		**-**		278
Production costs		**4,471**		17,808
Changes in fair value less costs to sell due to biological transformation		**3,157**		3,893
Transferred to inventory upon harvest		**(8,701)**		(18,092)
	$	**6,960**	$	8,033

As at February 29, 2024, it is estimated that the Company's biological assets will yield approximately 1,845,981 grams of flower (November 30, 2023: 2,145,206 grams) and 542,521 grams of trim when harvested (November 30, 2023: 617,071 grams).

The Company has determined the average fair value less cost to sell to be $3.71 per gram of flower (November 30, 2023: $3.69) and $0.20 per gram of trim (November 30, 2023: $0.20).

7 Inventory

The Company's inventories are comprised of the following balances as at February 29, 2024, and November 30, 2023:

		February 29, 2024		November 30, 2023
Dry cannabis				
Available for packaging	**$**	**18,351**	$	18,606
Packaged inventory		**1,497**		1,646
Trim		**392**		260
Concentrates		**-**		-
Packaging Materials		**575**		392
	$	**20,815**	$	20,904

As at February 29, 2024, the Company had dry cannabis with a carrying value of $18,351 (November 30, 2023: $18,606) and harvested trim with a carrying value of $392 (November 30, 2023: $260).

The Company holds 7,770,561 grams of harvested cannabis (November 30, 2023: 7,250,417 grams), which is comprised of 5,810,605 grams of harvested flower and 1,959,956 grams of harvested trim (November 30, 2023: 5,925,451 grams of harvested flower and 1,247,639 grams of harvested trim).

During the three-month period ended February 29, 2024, the Company capitalized $1,019 of costs (February 28, 2023: $4,427) to cost of inventory.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

8 Property, plant and equipment

	Land	Buildings	Construction in-process	Growing and processing equipment	Right-of-use asset	Leasehold Improvements	Other	Total
Cost								
Balance – November 30, 2022	1,348	9,240	4,370	8,540	3,989	7,932	308	35,727
Additions from Avant K1 acquisition	-	-	-	3,923	3,031	-	-	6,954
Additions	-	60	2,614	818	4,550	30	37	8,109
Disposals	-	-	-	-	-	-	-	-
Balance – November 30, 2023	1,348	9,300	6,984	13,281	11,570	7,962	345	50,790
Additions	-	-	-	-	537	-	-	537
Disposals	-	-	-	(9)	-	-	-	(9)
Balance – February 29, 2024	**1,348**	**9,300**	**6,984**	**13,272**	**12,107**	**7,962**	**345**	**51,318**
Accumulated depreciation								
Balance – November 30, 2022	-	(1,926)	-	(2,132)	(1,123)	(1,643)	(252)	(7,076)
Additions	-	(525)	-	(1,408)	(888)	(1,574)	(35)	(4,430)
Disposals	-	-	-	-	-	-	-	-
Balance – November 30, 2023	-	(2,451)	-	(3,540)	(2,011)	(3,217)	(287)	(11,506)
Additions	-	(114)	-	(378)	(224)	(354)	(6)	(1,076)
Disposals		-	-	-	-	-	-	-
Balance – February 29, 2024	**-**	**(2,565)**	**-**	**(3,918)**	**(2,235)**	**(3,571)**	**(293)**	**(12,582)**
Net book value								
November 30, 2023	1,348	6,849	6,984	9,741	9,559	4,745	58	39,284
February 29. 2024	**1,348**	**6,735**	**6,984**	**9,354**	**9,872**	**4,391**	**52**	**38,736**

During the three-month period ended February 29, 2024, the Company allocated $1,019 (November 30, 2023: $4,113) of depreciation expense to cost of inventory.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

9 Intangible assets and goodwill

The Company's intangible assets, licenses to sell cannabis, were considered definite lived. The Company completes an annual assessment of the recoverable amount of the goodwill.

	Intangible asset	Goodwill	Total
Cost			
Balance at November 30, 2022	5,539	6,024	11,563
Additions from Avant K1 acquisition	50	-	50
Balance at November 30, 2023	5,589	6,024	11,613
Balance at February 29, 2024	**5,589**	**6,024**	**11,613**
Accumulated amortization			
Balance at November 30, 2022	(1,670)	-	(1,670)
Amortization	(1,864)	-	(1,864)
Balance at November 30, 2023	(3,534)	-	(3,534)
Amortization	(342)	-	(342)
Balance at February 29, 2024	**(3,876)**	**-**	**(3,876)**
Net book value			
November 30, 2023	2,055	6,024	8,079
February 29, 2024	**1,713**	**6,024**	**7,737**

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

10 Lease liabilities

The following is the continuity of lease liability:

Balance – November 30, 2022	**$ 3,011**
Addition from Avant K1 acquisition	3,031
Lease modification	4,524
Lease payments	(1,251)
Interest expense on lease liability	729
Balance – November 30, 2023	**10,044**
Lease modification	537
Lease payments	(348)
Interest expense on lease liability	247
Balance – February 29, 2024	**10,480**
Current portion	**1,396**
Long-term portion	**9,084**

The Company recognized right-of-use assets and a corresponding lease liability related to its facility premises and corporate office. On February 1, 2024, the Company entered into an agreement to extend its lease for the ACC facility premises in Edmonton, AB. The original lease term commenced on January 24, 2014, and will end on January 31, 2029, as per the amendment. During the three-month period ended February 29, 2024, the Company allocated $240 (February 28, 2023: $232) of interest expense on lease liability (included in financing costs) to cost of inventory. For a breakdown of future lease payments, refer to Note 18.

11 Promissory note

The following is the continuity of promissory note:

Balance – November 30, 2022	**$ -**
Addition from Avant K1 acquisition	1,454
Principal and interest payments	(828)
Interest and accretion	101
Balance – November 30, 2023	**727**
Principal and interest payments	(323)
Interest and accretion	21
Extinguished debt	(425)
New debt	425
Balance – February 29, 2024	**425**
Current portion	**425**
Long-term portion	**-**

On March 14, 2023, the Company entered into a purchase agreement to acquire the remaining 50% non-controlling interests of Avant K1, increasing its ownership interest to 100%. The consideration paid included a promissory note. Promissory note shall bear interest at a rate of 12% per annum.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

On February 23, 2024, the Company renegotiated promissory note and entered into the Extension Agreement. The lenders agreed to the following terms:

- Lenders agreed that the promissory note due for repayment on January 12, 2024, is to be extended until July 12, 2024.
- As consideration for entering into the Extension Agreement, the Company
  - (i) issued 672,897 common shares to the lenders with a fair value of $74; and
  - (ii) agreed that on July 12, 2024, or as soon as practicable thereafter, subject to certain conditions, the Company will deliver such number of common shares equal to the $50 divided by the five-day volume weighted average price (the “VWAP”) of the common shares on the Toronto Stock Exchange (the “TSX”).

As a result of the Extension Agreement, the promissory was substantially modified, and therefore, the original liability was extinguished and the new liability for the promissory note was recognized. Additionally, the Company incurred $65 of legal fees directly attributable to the Extension Agreement and included into loss on debt modification. As a result of modification, the Company recognized $189 of loss on extinguishment of debt.

12 Convertible debenture

The following is the continuity of convertible debenture:

Liability component carrying value, November 30, 2022	-
New debt	8,980
Principal and interest payments	(5,344)
Interest and accretion	1,022
Liability component carrying value, November 30, 2023	**4,658**
Principal and interest payments	(118)
Interest and accretion	302
Extinguished debt	(4,842)
New debt	3,310
Liability component carrying value, February 29, 2024	**3,310**
Equity conversion feature, November 30, 2022	**-**
Addition from new debt	515
Equity conversion feature, November 30, 2023	**515**
Debt modification - reclassification	(515)
Equity conversion feature carrying value, February 29, 2024	**-**
Liability component current portion	**1,946**
Liability component long-term portion	**1,364**

On February 1, 2023, the Company issued convertible debentures to the non-controlling interests of 3PL (the “Creditor”) for gross proceeds of $9,500 under the following terms: (i) a maturity date of August 1, 2024; (ii) an interest rate of 10% per annum, payable quarterly; and (iii) convertible at $0.50 per share. The Creditor shall have the right, at its option at any time and from time to time during which the principal sum remains outstanding under this debenture, to convert the whole or any part of the principal sum then outstanding at the conversion price of $0.50 per share, provided such principal sum is not less than $100.

On February 23, 2024, lenders agreed to the following terms:

- Lenders accepted equity towards principal of the convertible debenture.
- As consideration for entering into the Debt Settlement Agreement, the Company
    - (i) issued 16,355,140 common shares with a fair value of $1,799 to the lenders;
    - (ii) granted 1,375,000 common share purchase warrants with a fair value of $55 to the lenders (Note 14). Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.25. Warrants expire on February 26, 2026, subject to acceleration by the Company in the event that the 20-day VWAP of the common shares on the TSX exceeds $0.85; and
    - (iii) granted the lenders the right to appoint a person as an observer to the Board.
- Under the terms of the Debt Settlement Agreement, the maturity date of the debenture was extended to October 29, 2025, with monthly amortized payments of approximately $150. The amended note shall bear an interest rate of 15% per annum.

As a result of the Debt Settlement Agreement, the convertible debenture was exchanged for a modified convertible debenture and equity instruments (common shares and warrants). A portion of the loan was extinguished and the remaining debt was substantially modified. Therefore, the original liability was extinguished and the new liability for the convertible debenture was recognized. Additionally, the amendment resulted in the conversion feature that was previously classified as an equity component being classified as a derivative financial liability, with the change in fair value during the periods presented recorded in the condensed interim consolidated statements of loss and comprehensive loss. The assessed fair value of conversion feature was $68. Fair value inputs to the conversion feature were an exercise price of $0.50, measurement date share price of $0.11, volatility of 92.60%, risk-free rate of 4.19%, and an expiry date of October 29, 2025. The fair value of the conversion feature was calculated using the Black-Scholes option pricing model. The difference of $447 between the carrying amount of the derivative liability and that of the previously recognised equity component was recognized in deficit.

Additionally, the Company incurred $103 of legal fees directly attributable to the Debt Settlement Agreement and included into loss on debt modification. As a result of modification, the Company recognized $425 of loss on extinguishment of debt.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

13 Secured credit facility

The following is a continuity schedule for the secured credit facility:

Secured facility financial liability, November 30, 2022	-
New debt	3,327
Principal and interest payments	(198)
Interest and accretion	144
Secured facility financial liability, November 30, 2023	3,273
Principal and interest payments	(365)
Interest and accretion	145
Secured facility financial liability, February 29, 2024	**3,053**
Warrants - equity instrument, November 30, 2022	**-**
New equity portion relating to borrowings	84
Warrants - equity instrument, November 30, 2023	84
Warrants - equity instrument, February 29, 2024	**84**
Secured facility current portion	**1,536**
Secured facility long-term portion	**1,517**

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

14 Share capital

The Company has an unlimited number of common shares without par value authorized for issuance. The Company also has an unlimited number of preference shares without par value authorized for issuance.

(a) Issued shares

During the three months ended February 29, 2024:

- The Company issued 819,841 common shares to service providers in connection with services received, resulting in a decrease to contributed surplus of $130 and an increase in share capital of $130.
- The Company issued 51,724 common shares in connection with employment compensation agreements, resulting in a decrease to contributed surplus of $10 and an increase in share capital of $10.
- The Company issued 1,607,143 common shares with a fair value of $225 to one of its officers in lieu of the bonus payable (Note 17).
- The Company issued 672,891 common shares valued at $74 in connection with the renegotiation of the promissory note (Note 11).
- The Company issued 16,355,140 common shares valued at $1,799 in connection with the renegotiation of the convertible debenture (Note 12).

During the three months ended February 28, 2023:

- The Company issued 931,406 common shares to service providers in connection with services received, resulting in a decrease to contributed surplus of $24 and an increase in share capital of $188.
- The Company issued 902,665 common shares in connection with employment compensation agreements, resulting in a decrease to contributed surplus of $355 and an increase in share capital of $279.
- The Company issued 22,249,734 common shares valued at $3,905 in connection with the purchase of the non-controlling interests of 3PL. $145 in transaction costs from the purchase were charged to equity.
- The Company contributed 7,402,186 common shares valued at $1,628 in connection with the acquisition of Avant K1.

(b) Escrow shares

As at February 29, 2024, there were 1,085,713 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events. Subsequent to period end these shares were returned to treasury (Note 21).

(c) Share purchase warrants

Warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price
Balance – November 30, 2022	**36,816,250**	**0.90**
Granted	6,750,000	0.45
Balance – November 30, 2023	**43,566,250**	**0.83**
Granted	1,375,000	0.25
Balance – February 29, 2024	**44,941,250**	**$0.81**

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

In connection with the convertible debenture (Note 12), the Company issued 1,375,000 stock purchase warrants, equity instruments, to the lenders. Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.25. The assessed fair value at grant date of warrants granted was $55. Fair value inputs to the warrants were an exercise price of $0.25, measurement date share price of $0.11, volatility of 107.58%, risk-free rate of 4.19%, and an expiry date of February 23, 2026. The fair value of the warrants was calculated using the Black-Scholes option pricing model. Warrants are not subsequently remeasured.

The weighted average outstanding life of warrants outstanding as at February 29, 2024 is 0.31 years (November 30, 2023: 0.51 years).

At February 29, 2024, the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price per share		Expiry date
6,772,500	$	0.30	March 8, 2024
28,750,000	$	1.04	March 30, 2024
1,293,750	$	0.80	March 30, 2024
5,000,000	$	0.50	February 1, 2025
1,750,000	$	0.30	July 14, 2026
1,375,000	$	0.25	February 23, 2026
44,941,250			

15 Stock-based compensation

(a) Stock options

The Company has adopted a stock option plan (the "Plan") to grant options to directors, officers, employees and consultants. Under the Plan, the Company may grant Restricted Stock Units and Deferred Stock Units and all other security-based compensation arrangements that shall not exceed 10% of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time an option is granted. Options granted can have a term of up to ten years and an exercise price typically not less than the Company's closing stock price on the TSX on the last trading day before the date of grant. Vesting is determined at the discretion of the Board.

Stock option transactions are summarized as follows:

	Number of shares	Weighted average exercise price
Balance – November 30, 2022	**7,347,500**	**$0.30**
Granted	9,023,600	0.19
Expired/cancelled	(300,000)	0.58
Balance – November 30, 2023	**16,071,100**	**$0.23**
Balance – February 29, 2024	**16,071,100**	**$0.23**

The weighted average outstanding life of stock options outstanding as at February 29, 2024, is 1.46 years (November 30, 2023: 1.95 years).

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

At February 29, 2024, the following stock options were outstanding:

(b) Share-based payments

Number of options	Options Vested	Exercise price per share	Expiry date
1,500,000	1,500,000	$0.34	August 14, 2024
100,000	100,000	$0.30	September 25, 2024
387,500	387,500	$0.30	October 23, 2024
5,060,000	5,060,000	$0.27	February 28, 2025
6,000,000	3,600,000	$0.18	January 9, 2026
3,023,600	3,023,600	$0.20	March 14, 2026
16,071,100	**13,671,100**	**$0.23**	

During the three-month period ended February 29, 2024, the Company recognized a share-based payment expense of $172 (February 28, 2023: $321) that was recorded in the condensed interim consolidated statements of loss and comprehensive loss. The share-based payments represent the fair value of stock options vested during the three-month period ended February 29, 2024, and are estimated on the grant date using the Black-Scholes option pricing model. The share-based payments also consist of common shares issued for services during the year.

(c) Restricted Stock Units ("RSUs") and Deferred Stock Units ("DSUs")

RSUs and DSUs are granted to the Company's directors, officers, and employees as a part of compensation under the terms of the Company's deferred and restricted share unit plans. Each RSU and DSU entitles the participant to receive the value of one common share.

The number of RSUs and DSUs awarded and underlying vesting conditions are determined by the Board at its discretion. RSUs and DSUs are accounted for as equity-settled share-based payments and are valued using the share price of the common share on the grant date. Since the Company controls the settlement, the RSUs and DSUs are considered equity settled.

RSU and DSU transactions are summarized as follows:

	Number of RSUs and DSUs	Weighted average issue price
Balance – November 30, 2022	**5,016,972**	**$0.27**
Granted	4,374,038	0.20
Vested and released	(5,687,900)	0.24
Forfeited	(7,409)	0.27
Balance – November 30, 2023	**3,695,701**	**0.24**
Granted	681,818	0.11
Vested and released	(2,289,868)	0.28
Forfeited	(45,453)	0.17
Balance – February 29, 2024	**2,042,198**	**0.15**

The weighted average outstanding life of RSUs and DSUs outstanding as at February 29, 2024, is 0.58 years. Share-based payments included $131 of RSU and DSU expense. RSUs and DSUs generally vest in tranches across a twelve-month period.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

At February 29, 2024, the following RSUs and DSUs were outstanding:

Number of RSUs and DSUs	Grant date	Vesting Date
540,539	March 14, 2023	Mar. 14, 2024
687,897	July 14, 2023	Apr. 14, 2024
131,944	January 9, 2023	Apr. 14, 2024
681,818	April 15, 2023	Sept. 15, 2024, Mar. 1, 2025, Mar. 1, 2026, Mar. 1, 2027
2,042,198		

16 Net revenue

The Company's total net revenues was as follows:

	February 29, 2024	February 28, 2023
Recreational revenue	**$ 3,341**	$ 4,147
Less: Provision for sales returns and allowances	**31**	-
Net recreational revenue	**3,372**	4,147
Bulk cannabis sales	**4,610**	2,806
Medical revenue	**16**	52
Management fees and other revenue	**78**	24
	$ 8,076	$ 7,029

17 Related party transactions

Key management compensation

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers.

Key management compensation for the three-month periods ended February 29, 2024, and February 28, 2023, consists of the following:

	February 29, 2024	February 28, 2023
Salaries and wages	**$192**	$183
Director fees	**44**	68
Share-based payments	**73**	1
	$309	$252

On January 24, 2024, the Company issued 1,607,143 common shares with a fair value of $225 to one of its officers in lieu of the bonus payable.

Related party balances

As at February 29, 2024, accounts payable and accrued liabilities included $45 (November 30, 2023: $45), which was due to directors of the Company in connection with directors' fees.

As at February 29, 2024, trade and other receivables included $27 (November 30, 2023: $22), which was due from a related party for a rental agreement.

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

Related party transactions

During the year ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce, 1118157 B.C. Ltd., Zenalytic Laboratories Ltd. and GBP. Each one of these entities was under common control with two of the Company's executive officers. Certain milestones within these agreements remain outstanding and are disclosed under Note 19 below.

On January 31, 2024, the Company entered into a short-term loan agreement with a related party in the amount of $150. The loan bore interest at a rate of 8.5% per annum and was due on demand. The loan was paid back on February 22, 2024.

18 Financial instruments

Fair value classification of financial instruments

Fair value measurement is based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are:

Level 1 - measurement based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2 - measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset and liability.

Level 3 - measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

As at February 29, 2024, the Company had Level 1 financial instruments, consisting of marketable securities, with a fair value of $16 (November 30, 2023: $22). The convertible debenture conversion feature is a level 3 security measured at fair value using the Black-Scholes model. The Company has no level 2 financial instruments measured at fair value.

	Amortized cost	Fair Value through Profit or Loss	Total
	$	$	$
Assets			
Cash	795	-	795
Trade and other receivables	4,142	-	4,142
Marketable securities	-	16	16
Liabilities			
Accounts payable and accrued liabilities	12,899	-	12,899
Promissory note	425	-	425
Secured credit facility	3,053	-	3,053
Lease liabilities	10,480	-	10,480
Convertible debentures	3,310	-	3,310
Convertible debentures - conversion feature	-	68	68

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)

19 Commitments and contingencies

The following table summarizes the maturities of the Company's financial liabilities as at February 29, 2024, based on the undiscounted contractual cash flows:

	Carrying value	Contractual cash flows	Less than 1 year	1 - 5 years	>5 years
Accounts payable	12,899	12,899	12,899	-	-
Lease liabilities	10,480	21,915	1,402	5,020	15,493
Promissory note	425	425	425	-	-
Secured credit facility	3,053	3,827	1,583	2,244	-
Convertible debenture	3,310	3,744	2,546	1,198	-
	30,167	**42,810**	**18,855**	**8,462**	**15,493**

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all proceedings and claims against the Company are subject to future resolution, including the uncertainties of litigation. Management believes the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. As at February 29, 2024, the Company has accrued a provision of $100 related to certain legal proceedings for which the outcome is uncertain.

Additionally, the Company may enter into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice. The Company has the following outstanding commitments based on achieving certain milestones:

GBP commitment

As at February 29, 2024, in connection with a previously completed asset acquisition, the Company has committed to issue common shares valued at $2,500 contingent on future events as follows:

Trigger event		
Completion of GBP construction of a Health Canada approved cannabis production facility in compliance with the CA&R	$	500
GBP obtaining a license to sell cannabis under the CA&R		500
GBP having sold an aggregate of 3,000 kg of dried cannabis		750
GBP completing construction of an expansion to its production facility to increase production by at least 8,500 kg per annum and receiving an amendment to its production and sales licences		750
	$	**2,500**

On March 13, 2020, the Company entered into an amending agreement with the vendors of GBP, amending certain terms and conditions of the definitive share purchase agreement dated November 15, 2017.

The vendors of GBP agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of GBP were reduced by $5,750. In addition to reducing the milestone payments, the vendors of GBP agreed to restructure the remaining milestones, as shown in the above table and raise the floor price of the common shares to be issued in connection with the new milestones to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Company's common shares, and (B) $1.00. Of the $5,750 reduction to the Company's payment obligations, $5,615 of the remaining milestone payments was waived by an executive officer of the Company.

20 Comparative figures

Certain comparative figures as at February 28, 2023, were adjusted to reflect finalization of the estimates of the fair value of assets acquired and liabilities assumed for the acquisition of Avant K1 and reclassified to conform to the presentation in the current period.

21 Subsequent events

On March 12, 2024, the Company entered into a cultivar supply agreement. Under the agreement, the supplier will provide the Company with cultivars on an exclusive basis until December 15, 2026, in exchange for 4,500,000 common shares. In relation to this agreement, 1,085,713 common shares held in escrow (Note 14) were returned to treasury. Common shares are to be issued in two tranches of 2,250,000 common shares each. Under the first tranche

- 1,000,000 common shares will be issued upon receipt of TSX approval;
- 625,000 common shares will be issued and held in escrow until August 15, 2024; and
- 625,000 common shares will be issued and held in escrow until December 15, 2024.

The release of the second tranche will be conditional on testing of the cultivars for commercialization.

On April 8, 2024, the Company announced its intention to offer up to 45,751,623 units, each unit consisting of one common share and one-half warrant, at a combined purchase price of $0.085 per unit. The offering is expected to close on or about April 30, 2024. Each full warrant entitles the purchasers to acquire one common share at a price of $0.12 per share for a period of three years from the date of issue.