Condensed Consolidated Interim Financial Statements of

Coho Collective Kitchens Inc.
(Unaudited)

For the three and nine months ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, *Continuous Disclosure Obligations*, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management team.

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note		As at December 31, 2023		As at March 31, 2023
ASSETS					
Current					
Cash		$	59,708	$	249,737
Receivables			143,488		206,807
Inventory			204,653		-
Prepaid expenses – current portion			974,651		254,020
			1,382,500		710,564
Non-current					
Prepaid expenses			907,330		356,588
Property and equipment	4		6,890,807		4,718,007
Right-of-use assets	5		10,263,260		7,206,455
Goodwill and other intangibles	2		9,504,709		-
TOTAL ASSETS		**$**	**28,948,606**	**$**	**12,991,614**
LIABILITIES					
Current					
Trade payables and accrued liabilities			5,063,258		2,241,801
Deposits	12		329,099		206,119
Deferred revenue			43,460		35,780
Lease obligation – current portion	5		1,057,595		584,394
Loans from shareholders	11		35,870		54,728
Other loans – current portion	13		3,958,496		2,250,062
Convertible debentures – current portion	14		217,067		-
			10,704,845		5,372,884
Non-current					
Lease obligation	5		10,857,448		7,696,927
Other loans	13		650,277		1,231,926
Convertible debentures	14		1,463,312		-
Term Facility	15		5,344,988		-
Vendor take-back note	16		1,500,000		-
TOTAL LIABILITIES			**30,520,870**		**14,301,737**
SHAREHOLDERS' DEFICIT					
Share capital	6		18,457,138		14,916,334
Other reserves	6,7		2,516,554		1,217,102
Subscriptions received in advance	6		25,000		-
Deficit			(22,570,956)		(17,443,559)
TOTAL SHAREHOLDERS' DEFICIT			**(1,572,264)**		**(1,310,123)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**28,948,606**	**$**	**12,991,614**

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

Approved by the Directors:

"Andrew Barnes"	*"Amrit Maharaj"*
Andrew Barnes, Director	Amrit Maharaj, Director

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

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended December 31, 2023	Three months ended December 31, 2022	Nine months ended December 31, 2023	Nine months ended December 31, 2022
REVENUE					
Rental		$ 702,777	$ 461,151	$ 2,005,933	$ 1,309,225
Retail		3,427,396	262,552	4,650,486	614,085
TOTAL REVENUE		4,130,173	723,703	6,656,419	1,923,310
COST OF SALES (RETAIL)		884,143	85,007	1,270,853	252,437
GROSS PROFIT		3,246,030	638,696	5,385,566	1,670,873
OPERATING EXPENSES					
Accretion	13,14	17,118	9,480	48,171	38,184
Advertising and promotion		10,269	18,419	46,635	62,514
Amortization	4,5	594,476	380,882	1,443,498	928,281
Interest	5,13,14	615,818	231,572	1,183,181	650,998
Occupancy cost		682,617	211,124	1,235,852	596,000
Office and miscellaneous		165,696	55,313	365,058	176,883
Professional fees		669,993	153,953	1,574,905	1,218,146
Salaries and benefits	11	1,957,235	680,763	3,398,490	2,072,046
Share based compensation	7,11	131,702	114,889	333,107	224,982
Subcontractor		40,443	19,260	65,736	60,979
Supplies		209,673	73,898	377,825	243,670
TOTAL OPERATING EXPENSES		5,095,040	1,949,553	10,072,458	6,272,683
NET OPERATING LOSS		**$ (1,849,010)**	**$ (1,310,857)**	**$ (4,686,892)**	**$ (4,601,810)**
OTHER ITEMS					
Loss on derecognition of property and equipment	4	-	-	(81,614)	-
Gain on forgiveness of loan	13	-	-	12,000	-
Gain on write off of trade payables		-	-	29,994	-
NET LOSS BEFORE TAXES		**$ (1,849,010)**	**$ (1,310,857)**	**$ (4,726,512)**	**$ (4,601,810)**
Income tax expense		-	-	(20,600)	-
NET LOSS		**$ (1,849,010)**	**$ (1,310,857)**	**$ (4,747,112)**	**$ (4,601,810)**
NET LOSS PER SHARE – BASIC AND DILUTED	8	**$(0.02)**	**$(0.02)**	**$(0.05)**	**$(0.06)**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	8	**115,639,405**	**84,285,042**	**95,909,528**	**79,974,616**

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

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficit)

(Unaudited – Expressed in Canadian Dollars)

	Number of shares	Share Capital	Other Reserves	Subscriptions Received in Advance	Deficit	Total Shareholders' Equity (Deficit)
Balance at March 31, 2022	67,351,224	$ 10,657,401	$ 715,986	$ -	(11,372,241)	$ **1,146**
Shares issued on initial public offering net of share issuance costs (Note 6)	16,666,670	4,471,135	-	-	-	**4,471,135**
Shares issued as agent's commission on initial public offering (Note 6)	167,148	(50,144)	50,144	-	-	**-**
Shares issued as corporate finance fee (Note 6)	100,000	(30,000)	30,000	-	-	**-**
Compensation warrants issued as finder's fees on initial public offering (Note 6)	-	(132,058)	132,058	-	-	**-**
Share-based compensation (Note 7)	-	-	224,982	-	-	**224,982**
Net loss for the period	-	-	-	-	(4,601,810)	**(4,601,810)**
Balance at December 31, 2022	**84,285,042**	**$ 14,916,334**	**$ 1,153,170**	**$ -**	**(15,974,051)**	**$ 95,453**
Balance at March 31, 2023	84,285,042	$ 14,916,334	$ 1,217,102	$ -	(17,443,559)	$ **(1,310,123)**
Shares issued on private placement net of share issuance costs (Note 6)	26,445,186	4,266,608	-	-	-	**4,266,608**
Shares issued as finder's fees on private placement (Note 6)	945,181	(160,681)	160,681	-	-	**-**
Shares issued as corporate finance fee (Note 6)	294,118	(50,000)	50,000	-	-	**-**
Compensation warrants issued as finder's fees on private placement (Note 6)	-	(36,682)	36,682	-	-	**-**
Agent warrants issued as finder's fees on private placement (Note 6)	-	(131,904)	131,904	-	-	**-**
Subscriptions received in advance (Note 6)	-	-	-	25,000	-	**25,000**
Shares issued for acquisition of Purebread (Note 2,6)	1,000,000	170,000	-	-	(380,285)	**(210,285)**
Shares issued as finder's fees on acquisition of Purebread (Note 2,6)	2,500,000	(425,000)	425,000	-	-	**-**
Finder's warrants issued as finder's fees on acquisition of Purebread (Note 2,7)	-	(91,537)	91,537	-	-	**-**
Shares issued for vested restricted share units (Note 6)	218,125	-	-	-	-	**-**
Equity component of convertible debentures (Note 7,14)	-	-	70,541	-	-	**70,541**
Share-based compensation (Note 7)	-	-	333,107	-	-	**333,107**
Net loss for the period	-	-	-	-	(4,747,112)	**(4,747,112)**
Balance at December 31, 2023	**115,687,652**	**$ 18,457,138**	**$ 2,516,554**	**$ 25,000**	**(22,570,956)**	**$ (1,572,264)**

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

COHO COLLECTIVE KITCHENS INC.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

		For the nine months ended December 31, 2023		For the nine months ended December 31, 2022
Operating Activities				
Net loss for the period	$	(4,747,112)	$	(4,601,810)
Items not involving cash:				
Amortization of property and equipment		701,312		474,591
Amortization of right-of-use assets		742,186		453,690
Accretion of non-interest bearing loans and convertible debentures		48,171		38,184
Interest		864,711		468,908
Share based compensation		333,107		224,982
Loss on derecognition of property and equipment		81,614		-
Gain on forgiveness of loan		(12,000)		-
Gain on write off of trade payables		(29,994)		-
Changes in working capital and other items:				
Receivables		63,319		(90,752)
Inventory		(204,653)		-
Prepaid expenses		(1,271,373)		(152,974)
Trade payables and accrued liabilities		1,306,353		603,955
Deferred revenue		7,680		6,477
Deposits		122,980		14,195
Net cash used in operating activities		(1,993,699)		(2,560,554)
Investing Activities				
Purchase of property and equipment		(2,579,371)		(1,557,509)
Payables related to capital expenditures		1,545,119		(702,838)
Cash paid for acquisition of Purebread		(8,215,015)		-
Net cash used in investing activities		(9,249,267)		(2,260,347)
Financing Activities				
Proceeds from share issuances net of share issuance costs		4,266,608		4,471,135
Subscriptions received in advance		25,000		-
Proceeds from convertible debentures		1,000,000		-
Other loan advances		3,227,447		2,940,000
Other loan repayments		(1,470,980)		(1,754,879)
Term Facility advances		5,500,000		-
Term Facility repayments		(298,801)		-
Lease obligation		(1,177,479)		(913,432)
Shareholder advances (repayments)		(18,858)		28,493
Net cash provided by financing activities		11,052,937		4,771,317
Decrease in cash during the period		(190,029)		(49,584)
Cash, beginning of period		249,737		111,496
Cash, end of period	**$**	**59,708**	**$**	**61,912**

Supplemental Cash Flow Information

Non-Cash Transactions

Shares issued as commission on private placement	$	(160,681)	$	-
Shares issued as corporate finance fee on private placement		(50,000)		-
Compensation warrants issued as finder's fees on private placement		(36,682)		-
Agent warrants issued as finder's fees on private placement		(131,904)		
Shares issued for acquisition of Purebread		170,000		-
Shares issued as finder's fees on acquisition of Purebread		(425,000)		-

Finder's warrants issued as finder's fees on acquisition of Purebread	(91,537)	-
Vendor take-back note issued for acquisition of Purebread	1,500,000	-
Equity component of convertible debentures	70,541	-
Reclassification of other loans to convertible debentures	650,000	-
Shares issued as commission on initial public offering	-	(50,144)
Shares issued as corporate finance fee on initial public offering	-	(30,000)
Compensation warrants issued as finder's fees on initial public offering	-	(132,058)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Coho Collective Kitchens Inc. (the "Company" or "Coho") was incorporated on June 7, 2019 under the *Business Corporations Act* of British Columbia. Coho's principal business activities are the provision of Commercial Commissary Kitchen and rental of these kitchens to food based businesses in Canada. Subsequent to September 20, 2023, the Company's principal business activities include the operations of Purebread. Bakery Inc. ("Purebread"), which currently runs seven bakery and café locations across British Columbia. The Company's registered office is at 2900-550 Burrard Street Vancouver, BC V6C 0A3.

Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company is able to meet its commitments, realize its assets and discharge its liabilities through its normal course of business.

The Company's ability to meet its financial obligations depends on a number of factors, some of which are beyond its control. These include general global economic, credit and capital market conditions, and the demand for and selling price of its services. There is no assurance that the expected cash flows from operations and the other steps being taken will allow the Company to meet its obligations as they become due.

The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so. Rapidly changing global economic conditions make access to the credit and capital markets difficult for the Company, which may compromise its ability to obtain suitable financing.

The Company's existing financial obligations will constrain its capital spending and that may have an adverse effect on its operations. The Company's debt levels will also limit its ability to expand its operations or make other investments that would enhance its competitiveness.

Accordingly, there is a risk that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to sell core assets or raise debt or equity capital. However, these actions may have a material adverse effect on the Company's business and on the market prices of its equity securities.

If the Company is unable to generate positive cash flow or obtain adequate financing, the Company would need to reduce operations. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that Company's assets and liabilities be restated on a liquidation basis which could differ materially from the going concern basis.

2. BUSINESS COMBINATIONS

On September 20, 2023, Coho Acquisition Corp., a wholly owned subsidiary of the Company, acquired 100% of the issued and outstanding shares of Purebread (the "Acquisition"). Purebread met the definition of a business per IFRS 3, Business Combinations and therefore was accounted for under IFRS 3. Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

At the time of issuance of these condensed consolidated interim financial statements, certain aspects of the valuation are not finalized, accordingly the preliminary purchase price allocation is subject to change.

The following table summarizes the recognized amounts of assets acquired, liabilities assumed and consideration paid, at the date of acquisition:

Consideration paid:

Cash paid	$	8,215,015
Vendor take-back note issued (Note 16)		1,500,000
1,000,000 common shares issued at $0.17 per share (Note 6)		170,000
Total	**$**	**9,885,015**

Net assets acquired:

Cash	$	59,865
Receivables		21,636
Inventory		200,000
Prepaid expenses		73,212
Property and equipment		595,086
Goodwill and other intangibles		9,504,709
Trade payables and accrued liabilities		(506,578)
Other loans		(62,915)
Total		**9,885,015**

In connection with the Acquisition, the Company also paid a finder's fee to the Agent on September 20, 2023. The finder's fee consisted of 2,500,000 common shares (Note 6) and 2,500,000 common share purchase warrants ("Finder's Warrants") (Note 7). Each Finder's Warrant entitles the holder to purchase one common share at an exercise price of $0.40 until September 20, 2026.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2023 and 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). The accounting policies, methods of computation and presentation applied in these unaudited condensed consolidated interim financial statements are consistent with those of the previous fiscal year. These unaudited condensed consolidated interim financial statements reflect the accounting policies and disclosures described in Note 3 of the Company's audited consolidated financial statements for the year ended March 31, 2023, and accordingly, should be read in conjunction with those audited consolidated financial statements and the notes thereto.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. The condensed consolidated interim financial statements are presented in Canadian dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company and its subsidiaries is the Canadian dollar.

The Company's board of directors approved the release of these condensed consolidated interim financial statements on February 29, 2024.

(Unaudited – Expressed in Canadian Dollars)

Basis of consolidation

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

ENTITY	REGISTERED	HOLDING
Coho Commissary Inc.	British Columbia	100%
Coho Creekside Commissary Inc.	British Columbia	100%
The Block at Coho Collective Kitchens Inc.	British Columbia	100%
Café Coho Inc.	British Columbia	100%
Sunshine by Coho Collective Kitchens Inc.	British Columbia	100%
Richmond by Coho Collective Kitchens Inc.	British Columbia	100%
Phantom Kitchen Inc.	British Columbia	100%
Victoria by Coho Collective Kitchens Inc.	British Columbia	100%
Coho Acquisition Corp. (1)	British Columbia	100%
Purebread (2)	British Columbia	100%

(1) Coho Acquisition Corp. was incorporated on May 26, 2023.

(2) Purebread was acquired on September 20, 2023 and is a wholly owned subsidiary of Coho Acquisition Corp. (Note 2).

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

4. PROPERTY AND EQUIPMENT

	Software	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance as at March 31, 2022	$ 86,598	$ 625,011	$ 2,875,286	**$ 3,586,895**
Additions	-	433,645	2,068,333	**2,501,978**
Balance as at March 31, 2023	**86,598**	**1,058,656**	**4,943,619**	**6,088,873**
Additions	-	164,758	2,790,968	**2,955,726**
Derecognition of property and equipment	-	-	(134,757)	**(134,757)**
Balance as at December 31, 2023	**86,598**	**1,223,414**	**7,599,830**	**8,909,842**
Accumulated Amortization				
Balance as at March 31, 2022	9,346	272,559	416,938	**698,843**
Depreciation expense	28,866	238,657	404,500	**672,023**
Balance as at March 31, 2023	**38,212**	**511,216**	**821,438**	**1,370,866**
Depreciation expense	21,649	164,418	515,245	**701,312**
Derecognition of property and equipment	-	-	(53,143)	**(53,143)**
Balance as at December 31, 2023	**59,861**	**675,634**	**1,283,540**	**2,019,035**

(Unaudited – Expressed in Canadian Dollars)

Net Book Value as at December 31, 2023	**$**	**26,737**	**$**	**547,780**	**$**	**6,316,290**	**$ 6,890,807**
Net Book Value as at March 31, 2023	$	48,386	$	547,440	$	4,122,181	$ 4,718,007

Furniture and equipment are included in the leased space to the Company's customers.

5. LEASES

As at December 31, 2023 the Company had lease arrangements with various lease agreements for its commercial kitchens. Fair value of the right-of-use assets and lease obligations were determined by discounting future lease payments at incremental borrowing rates which averaged 9%, applicable on date of acquisition.

The summary of the Company's right-of-use asset and lease liabilities are as follows:

Right-of-use assets

Cost		
Balance as at March 31, 2022	$	4,278,478
Additions		4,463,164
Derecognition of right-of-use asset		(335,206)
Balance as at March 31, 2023		**8,406,436**
Additions		3,798,991
Balance as at December 31, 2023	**$**	**12,205,427**
Accumulated Amortization		
Balance as at March 31, 2022	$	754,311
Amortization		655,174
Derecognition of right-of-use asset		(209,504)
Balance as at March 31, 2023		**1,199,981**
Amortization		742,186
Balance as at December 31, 2023		**1,942,167**
Net Book Value as at December 31, 2023	**$**	**10,263,260**
Net Book Value as at March 31, 2023	$	7,206,455

Lease Obligation

Balance as at March 31, 2022	$	4,123,847
Additions – premises and equipment		4,878,058
Interest expense		667,659
Lease payments		(1,220,114)
Derecognition of lease obligation		(168,129)
Balance as at March 31, 2023		**8,281,321**
Additions – premises		4,175,346
Interest expense		635,855
Lease payments		(1,177,479)
Balance as at December 31, 2023		**11,915,043**
Current portion of lease liabilities		(1,057,595)
Non-current portion of lease liabilities	**$**	**10,857,448**

(Unaudited – Expressed in Canadian Dollars)

The Company has elected not to recognize right-of-use assets for leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments with these leases as an expense on a straight-line basis over the lease term.

The variable rental payments that were expensed and not included in the measurement of right-of-use assets and lease obligations during the nine months ended December 31, 2023 was $397,464 (December 31, 2022- $293,244).

As at December 31, 2023, the future minimum lease payments under non-cancellable lease agreements were payable as follows:

		December 31, 2023
Less than 1 year	$	2,037,670
Between 1 and 3 years		5,261,797
More than 3 years		11,042,606
Total	**$**	**18,342,073**

6. SHARE CAPITAL

Authorized
The Company may issue unlimited common voting shares without par value.

Issued

		December 31, 2023		March 31, 2023
115,687,652 Common shares (March 31, 2023 – 84,285,042)	$	18,457,138	$	14,916,334

During the nine months ended December 31, 2023:

On September 20, 2023, the Company issued 26,445,186 units of the Company at a price of $0.17 per unit by way of a private placement for gross proceeds of $4,495,682. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.25 per warrant share for a period of 36 months. Using the residual value method, the value assigned to the warrants attached to the units was $nil. In connection with the private placement, the Company paid and granted to the Agent the following amounts:

- A commission equal to 8% of the gross proceeds, of which $118,974 was paid in cash and 945,181 common shares with a fair value of $160,681were issued;
- Compensation warrants with a value of $36,682 to purchase up to 619,649 common shares at $0.25 until September 20, 2026;
- Agent warrants with a value of $131,904 to purchase up to 1,645,027 units at $0.17 until September 20, 2026;
- A corporate finance fee of $100,000, of which $50,000 was paid in cash and 294,118 common shares with a fair value of $50,000 were issued; and,
- Reimbursement of $90,100 for certain customary expenses incurred.

A $30,000 retainer was returned to the Company in connection with the private placement.

(Unaudited – Expressed in Canadian Dollars)

As at December 31, 2023, the Company received $25,000 in proceeds from a subscriber before common shares were issued.

On September 20, 2023, the Company issued 1,000,000 common shares at $0.17 per share as consideration and 2,500,000 common shares at $0.17 per share to the Agent in connection with the Acquisition (Note 2).

During the nine months ended December 31, 2023, 218,125 common shares were issued upon the vesting of 218,125 restricted share units (Note 7)

During the nine months ended December 31, 2022:

On June 9, 2022, the Company consummated its Initial Public Offering ("**IPO**") of 16,666,670 common shares at $0.30 per common share (the "**Offering Price**"), for aggregate gross proceeds of $5,000,001. In connection with the IPO, the Company paid and granted to the Agent the following amounts:

- A commission equal to 8% of the gross proceeds, of which $349,839 was paid in cash and 167,148 common shares with a fair value of $50,144 were issued;
- Compensation warrants to purchase up to 1,333,333 common shares at the Offering Price until June 9, 2024;
- Additional compensation warrants to purchase up to 66,186 common shares with a fair value of $132,058 were issued at the Offering Price until June 9, 2024 as a result of over-allotments satisfied by purchases in the market;
- A corporate finance fee of $100,000, of which $70,000 was paid in cash and 100,000 common shares with a fair value of $30,000 were issued; and,
- Reimbursement of $20,500 for certain customary expenses incurred.

The Company also paid legal fees of $118,493 and a $30,000 retainer was returned to the Company in connection with the IPO. The Company incurred bank fees of $34 in connection with the IPO.

7. OTHER RESERVES

The summary of the Company's other reserves is as follows:

	Stock options (a)	Restricted share units (b)	Warrants (c)	Other	Total
Balance at March 31, 2022	$ 315,935	$ -	$ 353,750	$ 46,301	$ 715,986
Share-based compensation	106,448	182,466	-	-	288,914
Compensation warrants (Note 6)	-	-	132,058	-	132,058
Share issuance costs (Note 6)	-	-	-	80,144	80,144
Balance at March 31, 2023	**$ 422,383**	**$ 182,466**	**$ 485,808**	**$ 126,445**	**$ 1,217,102**
Share-based compensation	59,886	273,221	-	-	333,107
Finder's warrants (Note 2)	-	-	91,537	-	91,537
Compensation warrants (Note 6)	-	-	36,682	-	36,682
Agent warrants (Note 6)	-	-	131,904	-	131,904
Share issuance costs (Note 6)	-		-	635,681	635,681
Convertible debentures (Note 14)	-	-	-	70,541	70,541
Balance at December 31, 2023	**$ 482,269**	**$ 455,687**	**$ 745,931**	**$ 832,667**	**$ 2,516,554**

(Unaudited – Expressed in Canadian Dollars)

a) Stock Options

The Company has established an Omnibus plan (the "Plan") whereby the Company's Board of Directors may from time to time grant stock options to employees and non-employees. Stock options under the Plan have been granted to directors, officers, consultants and certain employees of the Company. Stock options granted under the Plan will not have a term to exceed 10 years from the date of grant. The maximum number of shares that may be reserved for issuance under the Plan shall not exceed 10% of the Company's outstanding common shares. Vesting is determined by the Board of Directors.

The continuity of the Company's stock options is as follows:

	Number outstanding	Weighted average exercise price	
Outstanding at March 31, 2022	3,987,500	$	0.32
Granted	1,062,500		0.17
Forfeited	(900,000)		0.26
Outstanding at March 31, 2023	**4,150,000**	**$**	**0.29**
Exercisable at March 31, 2023	**2,321,875**	**$**	**0.32**
Granted	1,992,500		0.17
Forfeited	(537,500)		0.29
Outstanding at December 31, 2023	**5,605,000**	**$**	**0.25**
Exercisable at December 31, 2023	**2,540,625**	**$**	**0.31**

As at December 31, 2023, the Company had a total of 5,605,000 stock options outstanding under the Plan to certain directors, officers, consultants and employees of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of $0.11 to $0.50 for a period of five years following the grant date.

The weighted average exercise price per option granted in the nine months ended December 31, 2023 was $0.17 (December 31, 2022 – $0.20). In determining the amount of share-based compensation, the Company used the Black Scholes Option Pricing model to establish the fair value of stock options granted during the nine months ended December 31, 2023 and 2022 by applying the following weighted average assumptions:

	December 31, 2023	December 31, 2022
Risk-free interest rate	3.32%	2.73%
Expected life of options (years)	5	5
Expected annualized volatility	59%	58%
Expected dividend yield	Nil	Nil

Volatility was estimated by using the historical prices of comparable publicly-listed companies. The expected life in years represents the period of time that the stock options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the stock option. The weighted average fair value of the options granted during the nine months ended December 31, 2023 was $0.06 per option (December 31, 2022 – $0.10 per option).

The number of options outstanding and exercisable under the Plan at December 31, 2023 is as follows:

Expiry date	Number of stock options outstanding	Exercise price		Number of stock options exercisable
March 25, 2026	1,475,000	$	0.30	1,175,000

(Unaudited – Expressed in Canadian Dollars)

March 25, 2026	100,000		0.50	75,000
August 1, 2026	25,000		0.30	18,750
August 11, 2026	462,500		0.30	350,000
August 16, 2026	50,000		0.30	50,000
October 14, 2026	75,000		0.30	56,250
December 1, 2026	87,500		0.30	65,625
January 1, 2027	275,000		0.40	275,000
March 11, 2027	300,000		0.40	75,000
August 15, 2027	400,000		0.21	400,000
February 6, 2028	362,500		0.11	-
December 7, 2028	1,992,500		0.17	-
Balance at December 31, 2023	**5,605,000**	**$**	**0.25**	**2,540,625**

b) <u>Restricted share units</u>

As part of the Plan, the Company's Board of Directors may from time to time grant restricted share units ("RSUs") to employees and non-employees.

On August 15, 2022, the Company granted 1,872,500 RSUs to consultants and employees of the Company.

- 1,510,000 of the RSUs will fully vest on August 15, 2023; and
- 362,500 of the RSUs will vest in four equal installments over 4 years, beginning on August 15, 2023.

During the nine months ended December 31, 2023, 1,181,875 of these RSUs vested, resulting in the issuance of 136,875 common shares, as the remaining 1,045,000 RSU holders deferred the issuance of their common shares.

On November 1, 2022, the Company granted 62,500 RSUs to an officer of the Company.

- 62,500 of the RSUs will fully vest on November 1, 2023.

During the nine months ended December 31, 2023, 62,500 of these RSUs vested, resulting in the issuance of 62,500 common shares.

On December 1, 2022, the Company granted 165,000 RSUs to employees of the Company.

- 63,750 of the RSUs will vest on December 1, 2023;
- 41,250 will vest on December 1, 2024;
- 41,250 will vest on December 1, 2025; and
- 18,750 will vest on December 1, 2026.

During the nine months ended December 31, 2023, 18,750 of these RSUs vested, resulting in the issuance of 18,750 common shares.

On February 6, 2023, the Company granted 624,500 RSUs to directors, employees, and a consultant of the Company.

- 178,875 of the RSUs will vest on February 6, 2024;
- 155,625 will vest on February 6, 2025;
- 155,625 will vest on February 6, 2026; and
- 134,375 will vest on February 6, 2027.

(Unaudited – Expressed in Canadian Dollars)

On September 20, 2023, the Company granted 1,000,000 RSUs to consultants of the Company. All of the RSUs will vest on September 20, 2024.

On December 7, 2023, the Company granted 1,125,000 RSUs to directors, employees, and consultants of the Company.

- 475,000 of the RSUs will vest on December 7, 2024;
- 325,000 will vest on December 7, 2025; and
- 325,000 will vest on December 7, 2026.

Once vested, each RSU represents the right to receive one common share of the Company, or a cash payment or a combination of cash and shares as determined by the Plan administrator in its discretion.

The continuity of the Company's RSUs is as follows:

	Number outstanding
Outstanding at March 31, 2022	-
Granted	2,724,500
Forfeited	(637,500)
Outstanding at March 31, 2023	**2,087,000**
Granted	2,125,000
Vested and shares issued	(218,125)
Forfeited	(206,250)
Outstanding at December 31, 2023	**3,787,625**

The estimated fair value of the RSUs granted during the nine months ended December 31, 2023 was $331,875 (December 31, 2022 – $427,350) and will be recognized as an expense over the vesting period of the RSUs. The fair value of the RSUs as at the grant date was determined with reference to the market value of the common shares of the Company at the grant date.

Total share-based compensation as a result of RSU grants during the nine months ended December 31, 2023 was $273,221 (December 31, 2022 – $123,872).

c) Warrants

On June 9, 2022, the Company issued 1,399,519 warrants in connection with the consummation of its IPO. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.30 at any time until June 9, 2024.

On September 20, 2023, the Company issued 15,487,266 warrants in connection with a private placement.

- 13,842,239 of the warrants entitles the holder to purchase one common share at an exercise price of $0.25 until September 20, 2026; and
- 1,645,027 of the warrants entitles the holder to purchase one unit at an exercise price of $0.17 until September 20, 2026. Each unit consists of one common share and one half of one warrant. Each whole warrant is exercisable for one common share at an exercise price of $0.25 for a period of 36 months following the date of issuance.

(Unaudited – Expressed in Canadian Dollars)

On September 20, 2023, the Company issued 2,500,000 Finder's Warrants in connection with the Acquisition (Note 2). Each Finder's Warrant entitles the holder to purchase one common share at an exercise price of $0.40 until September 20, 2026.

The fair value of the warrants issued during the nine months ended December 31, 2023 and 2022 was estimated using the Black Scholes Option Pricing model and the following weighted average assumptions:

	December 31, 2023	December 31, 2022
Risk-free interest rate	3.96%	0.21%
Expected life of warrants (years)	3	2
Expected annualized volatility	59%	57%
Expected dividend yield	Nil	Nil

The continuity of the Company's warrants is as follows:

	Number outstanding	Weighted average exercise price
Outstanding at March 31, 2022	7,820,730	$ 0.47
Granted	1,399,519	0.30
Expired	(7,820,730)	0.47
Outstanding at March 31, 2023	**1,399,519**	**$ 0.30**
Granted	17,987,266	0.26
Outstanding at December 31, 2023	**19,386,785**	**$ 0.27**

The number of warrants outstanding and exercisable as at December 31, 2023 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
Compensation Warrants	1,399,519	1,399,519	$ 0.30	June 9, 2024
Compensation Warrants	619,649	619,649	0.25	September 20, 2026
Private Placement Warrants	13,222,590	13,222,590	0.25	September 20, 2026
Finder's Warrants	2,500,000	2,500,000	0.40	September 20, 2026
Agent Warrants	1,645,027	1,645,027	0.17	September 20, 2026
Balance at December 31, 2023	**19,386,785**	**19,386,785**	**$ 0.27**	

8. BASIC AND DILUTED NET LOSS PER SHARE

	Three months ended December 31, 2023	Three months ended December 31, 2022	Nine months ended December 31, 2023	Nine months ended December 31, 2022
Basic and diluted net loss per share	$ (0.02)	$ (0.02)	$ (0.05)	$ (0.06)
- Losses used in calculation of net loss per share	$ (1,849,010)	$ (1,310,857)	$(4,747,112)	$(4,601,810)
- Weighted average number of common shares used as the denominator in calculating basic and diluted net loss per share	115,639,405	84,285,042	95,909,528	79,974,616

The Company's stock options and warrants were excluded from the determination of diluted loss per share because the effect is anti-dilutive.

(Unaudited – Expressed in Canadian Dollars)

9. CAPITAL DISCLOSURES

As at December 31, 2023, the Company's capital structure is comprised of shareholders' deficit, other loans, convertible debentures, Term Facility and vendor take-back note. The Company's financial strategy is designed and formulated to maintain a flexible capital structure to allow for the ability to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The capital structure of the Company is managed to provide sufficient funding for operating activities. Funds are primarily secured through a combination of equity capital raises and debt. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on factors such as its needs, market and economic conditions at the time of transaction. There were no changes in the Company's approach to capital management during the period. The Company is not exposed to externally imposed capital requirements.

10. FINANCIAL RISK MANAGEMENT

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk in the nine months ended December 31, 2023. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk and interest rate risk are provided below.

Credit risk

Credit risk is the risk of unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and receivables. The Company limits its exposure to credit risk with respect to cash by depositing available cash with major regulated financial institutions. The Company's cash is not subject to any external restrictions.

As at December 31, 2023, the Company's receivables were all current. The Company mitigates the risk by performing ongoing credit evaluation of its customers' financial condition. The Company monitors collectability of receivables on an ongoing basis to determine credit risk. As at December 31, 2023 and March 31, 2023, the Company has $nil in allowance for doubtful accounts.

Liquidity risk

As at December 31, 2023, the Company had a cash balance of $59,708 available to settle current liabilities of $10,704,845. The Company expects to finance its operating expenses through cash flow from operations, debt as well as equity financing.

The estimated cash payments due in respect of contractual and legal obligations including debt and interest payments are summarized as follows:

	Maturity			
	Within 1 year	**1-5 years**	**Greater than 5 years**	**Total**
Trade payable and accrued liabilities	$ 5,063,258	$ -	$ -	$ 5,063,258
Deposits	329,099	-	-	329,099
Lease obligation	2,037,670	6,962,695	9,341,709	18,342,074
Loans from shareholders	35,870	-	-	35,870
Other loans	3,958,496	650,277	-	4,608,773

(Unaudited – Expressed in Canadian Dollars)

Convertible debentures	217,067	1,463,312	-	1,680,379
Term Facility	-	5,344,988	-	5,344,988
Vendor take-back note	-	1,500,000	-	1,500,000
	$ 11,641,460	**$ 15,921,272**	**$ 9,341,709**	**$ 36,904,441**

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company continuously monitors interest rates and economic conditions. At December 31, 2023, the Company is exposed to interest rate risk regarding its variable rate loans (Notes 13 and 15) with outstanding balances totaling $7,279,672. A 1% change in the interest rate on the loans would have a pre-tax impact of $72,797 on net loss for the period.

11. RELATED PARTY TRANSACTIONS

a. Loans from shareholders

As at December 31, 2023, the Company had loans due to the Company's CEO of $4,031 (March 31, 2023 - $19,062), due to the Company's COO and a company controlled by the COO of $7,839 (March 31, 2023 - $35,666), and due to the Company's CMO of $24,000 (March 31, 2023 - $nil). The loans are unsecured, non-interest bearing and due on demand.

b. Salaries and fees paid to key management personnel

For the nine months ended December 31, 2023, the Company recorded $352,500 (December 31, 2022 - $379,012) in key management compensation to the Company's CEO, COO, CFO, CMO, and former CCO.

c. Share-based compensation to related parties

As at December 31, 2023, 1,387,500 stock options granted to the Company's directors were outstanding. Each stock option entitles the holder to purchase one common share at an exercise price between $0.11 and $0.50 for a period of five years following the grant date. The fair value of the options granted totaled $154,103 (December 31, 2022 - $83,669) of which $19,285 was recognized as share-based compensation during the nine months ended December 31, 2023 (December 31, 2022 - $42,018).

12. DEPOSITS

At inception of a contract, a commissary customer is required to pay a deposit. One-half of each deposit is applied to the first month rent of the term; and the remainder of the deposit is kept as security for the underlying contract and is refundable at the end of the term. The contracts are short-term and as such, the deposits are classified as a current liability. Details are as follows:

	December 31, 2023	**March 31, 2023**
Opening Balance	$ 206,119	$ 172,198
Additions (net of refunds)	122,980	33,921
Closing balance	**$ 329,099**	**$ 206,119**

13. OTHER LOANS

a. On November 27, 2019, the Company borrowed $100,000 from a lender bearing an interest rate of 10% and was due on December 10, 2022. The loan was repayable on a monthly basis commencing January 10, 2020. During the nine months ended December 31, 2023, the Company recorded $nil (December 31, 2022 - $1,016) in interest expense relating to the loan. On November 30, 2022, the loan was repaid in full. Immediately prior to repayment, the remaining balance on the loan was $3,333.

b. On February 5, 2020, the Company entered into a loan agreement with the Business Development Bank of Canada ("BDC") to borrow up to $200,000 with a maturity date of November 23, 2026. The loan carries a base interest rate of 10.90% plus the BDC's floating rate which was deemed to be 6.05% at the time of issuance. During the nine months ended December 31, 2023, the Company recorded $17,348 (December 31, 2022 - $20,587) in interest expense in connection to the loan and repaid a total $42,652 (December 31, 2022 - $44,167). As at December 31, 2023 the remaining balance due is $103,592 (March 31, 2023 - $128,896).

c. During the year ended December 31, 2020, the Company received an operating loan of $150,000 from Vancity Credit Union bearing an interest rate of 5.45%. On May 27, 2022, the loan was repaid in full. Immediately prior to repayment, the remaining balance on the loan was $127,496

d. During the year ended December 31, 2020, under the Canada Emergency Business Account ("CEBA") program, the Company received $180,000 in loans (the "CEBA Loans"). The CEBA Loans are interest-free loans, available to the Company until January 18, 2024. $60,000 of the loans are forgivable if repayment is made on or before December 31, 2023. During the year ended December 31, 2020 the Company recognized $60,000 as other income in relation to the forgivable portion of the loans. The entire portion of the loan remains interest free as long as the Company repays the debt by January 18, 2024 at which time interest of 5% per annum will begin accruing. No interest expense was recorded on the CEBA Loans during the nine months ended December 31, 2023 and 2022. As at December 31, 2023, the remaining balance due is $120,000 (March 31, 2023 - $120,000).

e. On January 1, 2022, the Company borrowed $500,000 from consultants, acting at arm's length. The loans are unsecured and non-interest bearing. The loans are repayable on an annual basis commencing January 10, 2023, and due on January 10, 2027. In the event of a default, a 7% interest rate will apply to the outstanding loan balance. In lieu of interest payments, the consultants received 250,000 stock options. Each stock option entitles the holder to purchase one common share at an exercise price of $0.40 for a period of five years following the grant date. The Company recorded the debt at its fair value using a rate of 15% and the residual was allocated to the value of the stock options and recorded to Other Reserves. During the nine months ended December 31, 2023, the Company repaid $nil of the loans (December 31, 2022 - $90,000). As at December 31, 2023, the carrying value of the loans outstanding was $331,384 (March 31, 2023 - $300,921). During the nine months ended December 31, 2023, the Company recorded $32,318 (December 31, 2022 - $38,184) in accretion expense in connection to the non-interest bearing loans.

f. On April 1, 2022, the Company borrowed $150,000 from a lender, acting at arm's length. The loan bore interest at a rate of 16% per annum and was subordinated to the Company's Vancity and BDC credit facilities. The loan did not begin to accrue interest until June 1, 2022. During the nine months ended December 31, 2023, the Company recorded $nil (December 31, 2022 - $2,000) in interest expense in connection to the loan. On July 12, 2022, the Company repaid $140,000 of the loan. During the nine months ended

December 31, 2023, the remaining balance due of $12,000 was forgiven and the Company recorded a gain on forgiveness of loan of $12,000. As at December 31, 2023, the remaining balance due is $nil (March 31, 2023 - $12,000).

g. On April 8, 2022, the Company borrowed $500,000 from lenders, acting at arm's length. On June 9, 2022, the loans were fully repaid. The loans bore interest at a rate of 20% per annum and were subordinated to the Company's Vancity and BDC credit facilities. During the nine months ended December 31, 2023, the Company recorded $nil (December 31, 2022 - $22,032) in interest expense in connection to the loans.

h. On May 4, 2022, the Company borrowed $130,000 from a lender, acting at arm's length. On June 14, 2022, the loan was fully repaid. The loan bore interest at a rate of 7% per annum and was subordinated to the Company's Vancity and BDC credit facilities. During the nine months ended December 31, 2023, the Company recorded $nil (December 31, 2022 - $1,022) in interest expense in connection to the loan.

i. On May 13, 2022, the Company entered into a loan agreement to borrow up to $1,300,000 (the "Facility"). On May 27, 2022, $754,920 of the Facility was used to repay the Company's Vancity Credit Facilities of $627,424 and operating loan of $127,496. Coho has the right to repay the Facility at any time before the maturity date, without notice, bonus or penalty. The Facility carries an interest rate of prime +3.00% per annum (compounded monthly, not in advance) and has a term of 18 months. Interest is paid monthly through the interest reserve of $120,900 that is retained by the provider. During the nine months ended December 31, 2023 the Company recorded $47,017 (December 31, 2022 - $53,733) in interest expense in connection to the Facility. On July 11, 2023, an additional $288,308 was disbursed to the Company under the Facility. On November 8, 2023 and November 9, 2023, the Company repaid a total of $448,600 of the Facility. The Facility is guaranteed by certain subsidiaries of the Company and also guaranteed personally by the Company's CEO, COO and CMO. In the event of a default, an interest rate of 18% per annum will apply to the Facility. As at December 31, 2023, the remaining balance due is $1,139,708 (March 31, 2023 - $1,300,000).

j. On October 26, 2022, the Company received $348,600 in connection with a loan totaling $800,000 by a lender, acting at arm's length (the "Loan"). On November 25, 2022, the Company received the remaining $451,400 of the Loan. Interest on the Loan accrues at the rate of 8% per annum and the Company will repay the lender in equal monthly instalments of $16,200 over a 5-year period. During the nine months ended December 31, 2023 and 2022, the Company recorded $nil in interest expense in connection to the Loan. On September 15, 2023, the Loan was fully repaid. As at December 31, 2023, the remaining balance due is $nil (March 31, 2023 - $800,000).

k. On October 31, 2022, the Company borrowed $60,000 from a lender, acting at arm's length. The loan bears interest at a rate of 8% per annum and is unsecured. During the nine months ended December 31, 2023, the Company recorded $2,814 (December 31, 2022 - $nil) in interest expense in connection to the loan. As at December 31, 2023, the remaining balance due is $64,800 (March 31, 2023 - $61,986).

l. On February 1, 2023, the Company borrowed $135,800 from a lender, acting at arm's length. The loan was unsecured. The loan was repaid daily with 20% of the Company's retail revenue and was due on August 1, 2024. During the nine months ended December 31, 2023, the Company made a full repayment of $40,506 (December 31, 2022 - $nil) and the remaining balance due is $nil (March 31, 2023 - $108,185).

m. On July 28, 2023, the Company borrowed $173,400 from a lender, acting at arm's length. The loan is unsecured and a loan fee of $20,808 was applied to the principal amount. The loan is repaid daily with 20% of the Company's retail revenue and is due on January 28, 2025. During the nine months ended December 31, 2023, the Company repaid $95,707 of the loan (December 31, 2022 - $nil). As at December 31, 2023, the remaining balance due is $98,501 (March 31, 2023 - $nil).

n. On August 11, 2023, the Company borrowed $500,000 from a lender, acting at arm's length. The loan bears interest at a rate of 10% per annum and is unsecured. During the nine months ended December 31, 2023, the Company recorded $19,607 (December 31, 2022 - $nil) in interest expense in connection to the loan. On December 15, 2023, the company repaid $14,658 of the loan. As at December 31, 2023, the remaining balance due is $504,949 (March 31, 2023 - $nil).

o. On September 14, 2023, the Company borrowed $398,945 from a lender, acting at arm's length. On December 22, 2023, an additional $131,277 was disbursed to the Company by the lender. The loan bears interest at a rate of 10.5% per annum and is unsecured. Interest payable under the loan is calculated and payable quarterly, commencing on March 22, 2024. As at December 31, 2023, the remaining balance due is $530,223 (March 31, 2023 - $nil).

p. On September 15, 2023, the Company borrowed $399,908 from a lender, acting at arm's length. The loan is non-interest bearing and secured against any capital expenditures purchased by the loan proceeds. The loan is amortized on an annual straight-line basis over five years. As at December 31, 2023, the remaining balance due is $399,908 (March 31, 2023 - $nil).

q. On September 20, 2023, in connection to the Acquisition (Note 2), the Company assumed a loan with an outstanding amount of $61,609 related to the purchase of a delivery vehicle. The loan commenced on May 22, 2022 with a term of 60 months, interest rate at 5% per annum, and repayments paid monthly. The loan is secured against the delivery vehicle. During the nine months ended December 31, 2023, the Company recorded $752 (December 31, 2022 - $nil) in interest expense in connection to the loan. During the nine months ended December 31, 2023, the Company repaid $4,702 of the loan (December 31, 2022 - $nil). As at December 31, 2023, the remaining balance due is $57,659 (March 31, 2023 - $nil).

r. On November 8, 2023, the Company borrowed $500,000 from a lender, acting at arm's length. The loan is unsecured, bears interest at a rate of 12% per annum (compounded monthly), and has a term of 18 months. As at December 31, 2023, the remaining balance due is $500,000 (March 31, 2023 - $nil).

s. On December 20, 2023, the Company borrowed $34,000 from a lender, acting at arm's length. The loan is unsecured and a loan fee of $4,420 was applied to the principal amount. The loan is repaid daily with 17% of the Company's retail revenue. During the nine months ended December 31, 2023, the Company repaid $2,016 of the loan (December 31, 2022 - $nil). As at December 31, 2023, the remaining balance due is $34,000 (March 31, 2023 - $nil).

t. On December 22, 2023, the Company borrowed $240,000 from a lender, acting at arm's length. The loan is unsecured, bears interest at a rate of prime + 5% per annum, and has a term of 18 months. As at December 31, 2023, the remaining balance due is $240,000 (March 31, 2023 - $nil).

u. On December 22, 2023, the Company borrowed $500,000 from a lender, acting at arm's length. The loan is secured against common shares issued to the Company's CEO and COO, bears interest at a rate of 3%

per month, and has a maturity date of May 1, 2024. As at December 31, 2023, the remaining balance due is $500,000 (March 31, 2023 - $nil).

14. CONVERTIBLE DEBENTURES

On May 24, 2023, the Company completed a non-brokered private placement for gross proceeds of $1,650,000 (the "Offering"). The Offering was a non-brokered private placement of 1,650 convertible debentures of the Company (the "Convertible Debentures"), at a price of $1,000 per Convertible Debenture, for gross proceeds of $1,650,000. There were no finder, broker, or agent fees payable by the Company in connection with the Offering. The Convertible Debentures bear interest at a rate of 8% per annum, calculated and payable semi-annually in arrears, commencing on June 30, 2023. The Convertible Debentures will mature on March 31, 2026. The principal amount of each Convertible Debenture will be convertible into common shares of the Company at a price of $0.15 per common share at the option of the holder thereof. At the election of the Company, all interest accrued on the Convertible Debentures may be payable in cash or, subject to approval by the TSX Venture Exchange ("TSXV"), common shares issued at the market price (as such term as defined in the policies of the TSXV) of the common shares at the time of any such settlement.

For accounting purposes, the Convertible Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue of $1,579,459, was calculated as the discounted cash flows for the Convertible Debentures assuming a 9.7% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the Convertible Debentures and the fair value of the liability component, being $70,541. The liability component will be accreted over the life of the Convertible Debentures. During the nine months ended December 31, 2023, the Company recorded interest expense of $85,067 (December 31, 2022 - $nil) and accretion expense of $15,853 (December 31, 2022 - $nil) in connection to the Convertible Debentures. As at December 31, 2023, the remaining balance due is $1,680,379 (March 31, 2023 - $nil).

15. TERM FACILITY

On September 20, 2023, the Company entered into a letter of agreement with the Bank of Montreal ("BMO" or the "Lender"), setting out the terms under which BMO provided a senior secured $5,500,000 non-revolving term facility (the "Term Facility") to the Company. The Term Facility was used to finance a portion of the cash consideration of the Acquisition (Note 2). The Term Facility bears an interest rate not to exceed prime plus 125 basis points. The Term Facility will amortize monthly beginning the first full quarter following December 31, 2023 with repayments of the Term Facility made over an 84-month period. Interest on the Term Facility will be payable monthly in arrears. The Term Facility is secured by a first ranking security interest over all present and after-acquired personal property of Coho Acquisition Corp., which holds all of the issued and outstanding shares of Purebread. During the nine months ended December 31, 2023, the Company recorded $143,789 (December 31, 2022 - $nil) in interest expense in connection to the Term Facility, repaid interest of $102,372 (December 31, 2022 - $nil), and repaid principal of $196,429 (December 31, 2022 - $nil). As at December 31, 2023, the remaining balance due is $5,344,988 (March 31, 2023 - $nil).

16. VENDOR TAKE-BACK NOTE

On September 20, 2023, the Company entered into a vendor take-back agreement (the "VTB") to finance a portion of the cash consideration of the Acquisition (Note 2), whereby the Company became indebted to the vendors of Purebread in the principal sum of $1,500,000. The VTB is subordinated to the BMO Term Facility and has a maturity date of September 20, 2025. Commencing on September 21, 2023, the VTB bears interest computed on the outstanding daily principal balance of the VTB, payable quarterly, at the rate of:

a. 10% per annum for 12 months up to September 20, 2024;
b. 15% per annum for six months up to March 20, 2025; and
c. 20% per annum for six months up to September 20, 2025.

During the nine months ended December 31, 2023, the Company recorded $37,500 (December 31, 2022 - $nil) in interest expense in connection to the VTB and repaid interest of $37,500 (December 31, 2022 - $nil). As at December 31, 2023, the remaining balance due is $1,500,000 (March 31, 2023 - $nil).

17. INCOME TAXES

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the condensed consolidated interim financial statements may differ from management's estimate of the effective tax rate for the consolidated annual financial statements.

The Company's consolidated effective tax rate in respect of continuing operations for the nine months ended December 31, 2023 was 27% (December 31, 2022 – 27%).

18. SUBSEQUENT EVENTS

a. On February 8, 2024, the Company issued 30,125 common shares as a result of 30,125 RSUs that vested on February 6, 2024 (Note 7).

b. On February 8, 2024, the Company issued 28,125 common shares as a result of stock options with an exercise price of $0.11 that were exercised for proceeds of $3,094.

c. On February 8, 2024, the Company granted 187,500 stock options to directors of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of $0.17 for a period of five years following the grant date.
    - 46,874 of the options will vest on February 8, 2025;
    - 46,874 will vest on February 8, 2026;
    - 46,876 will vest on February 8, 2027; and
    - 46,876 will vest on February 8, 2028.

d. On February 8, 2024, the Company granted 187,500 RSUs to directors of the Company.
    - 62,500 of the RSUs vest on February 8, 2025;
    - 62,500 will vest on February 8, 2026; and
    - 62,500 will vest on February 8, 2027.