

AVANT

October 10, 2024

Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed
in Canadian dollars)

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 for a review of interim financial statements by a company's auditor.

AVANT BRANDS INC.**Condensed Interim Consolidated Statements of Financial Position**

As at August 31, 2024 and November 30, 2023

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

	Note	August 31, 2024	November 30, 2023
Assets			
Current assets			
Cash		\$ 3,141	\$ 772
Trade and other receivables	4	3,327	3,847
Prepaid expenses and deposits	5	1,334	1,611
Biological assets	6	7,345	8,033
Inventory	7	15,270	20,904
Marketable securities		-	22
		30,417	35,189
Property, plant and equipment	8	34,600	39,284
Goodwill	9	6,024	6,024
Intangible assets	9	1,519	2,055
Total assets		\$ 72,560	\$ 82,552
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 8,654	\$ 13,023
Lease liabilities	10	1,180	1,277
Promissory note	11	-	727
Convertible debenture A	12	1,796	4,658
Convertible debenture A - conversion feature	12	1	-
Secured credit facility	13	1,543	1,532
Convertible debenture B	14	1,075	-
		14,249	21,217
Lease liabilities	10	7,070	8,767
Convertible debenture A	12	242	-
Secured credit facility	13	1,036	1,741
Convertible debenture B	14	2,380	-
Deferred tax liability		1,499	1,499
Total liabilities		26,476	33,224
Shareholders' equity			
Share capital	15	109,305	104,571
Contributed surplus	15	11,673	10,670
Accumulated deficit		(74,894)	(65,913)
Total shareholders' equity		46,084	49,328
Total liabilities and shareholders' equity		\$ 72,560	\$ 82,552

Nature and continuance of operations (Note 1)**Commitments and contingencies (Note 20)**

Approved on behalf of the Board on October 10th, 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 and nine-month periods ended August 31, 2024 and 2023

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

	Note	Three months ended August 31		Nine months ended August 31	
		2024	2023	2024	2023
Revenue		\$ 9,551	7,547	\$ 27,903	24,387
Excise taxes		(1,086)	(1,056)	(3,072)	(2,881)
Net revenue	17	8,465	6,491	24,831	21,506
Cost of sales		(4,276)	(4,458)	(12,874)	(13,865)
Gross profit before fair value changes		4,189	2,033	11,957	7,641
Unrealized gain on changes in fair value of biological assets		6,476	11,095	11,715	19,882
Change in fair value of biological assets realized through inventory sold		(9,662)	(8,081)	(23,594)	(16,138)
Gross profit		1,003	5,047	78	11,385
Operating expenses					
Administration and general		347	351	1,212	989
Business fees and licenses		705	636	1,334	1,137
Consulting fees		512	217	1,074	461
Depreciation and amortization	8,9	154	543	707	1,604
Marketing and advertising		24	80	132	242
Professional fees		652	686	1,568	1,479
Salaries and wages		787	928	2,440	2,397
Share based payments	16	298	285	725	1,380
Travel		38	40	103	177
		3,517	3,766	9,295	9,866
Net (loss) income from operations		(2,514)	1,281	(9,217)	1,519
Other income (expense)					
Unrealized gain on marketable securities and derivatives		11	-	61	3
Financing costs	10	(4)	(77)	(18)	(168)
Interest and accretion	11-14	(275)	(263)	(1,028)	(835)
Loss on debt modification		-	-	(614)	-
Loss on debt settlement		(163)	-	(163)	-
Other income		-	-	261	2
Fair value gain on acquisition		-	-	-	27
Foreign exchange loss		-	(10)	(3)	(15)
Net (loss) income before income tax		\$ (2,945)	931	\$ (10,721)	533
Current income tax recovery		-	-	1,293	-
Deferred income tax expense		-	-	-	-
Net (loss) income and comprehensive loss		(2,945)	931	(9,428)	533
Attributable to:					
Equity holders of the parent		(2,945)	931	(9,428)	637
Non-controlling interests		-	-	-	(104)
(Loss) income per common share					
Basic		\$ (0.28)	0.11	\$ (0.96)	0.07
Diluted		(0.28)	0.11	(0.96)	0.06
Weighted average shares outstanding					
Basic		10,456,120	8,596,797	9,793,877	8,100,643
Diluted		10,456,120	8,711,191	9,793,877	8,215,037

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 nine-month periods ended August 31, 2024 and 2023

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

	Attributable to equity holders of the Company				Equity – NCI	Total
	Shares	Share capital	Contributed Surplus	Deficit		
Balance at November 30, 2022	6,869,825	\$94,542	\$8,666	\$(59,289)	\$4,324	\$48,243
Net loss for the period	-	-	-	637	(104)	533
Share units released	65,833	571	(741)	-	-	(170)
Shares issued for services	80,310	451	(182)	-	-	269
3PL NCI purchase	741,658	3,906	856	1,000	(4,252)	1,510
3PL NCI purchase transaction costs	-	-	-	(145)	-	(145)
Contribution to Avant K1	246,740	1,628	-	-	-	1,628
Avant K1 acquisition	-	-	-	-	1,132	1,132
Avant K1 NCI purchase	604,593	3,353	-	(2,409)	(1,100)	(156)
Share-based compensation	-	-	1,349	-	-	1,349
Balance at August 31, 2023	8,608,959	\$104,451	\$9,948	\$(60,206)	\$ -	\$54,193
Balance at November 30, 2023	8,636,280	\$104,571	\$10,670	\$(65,913)	\$ -	\$49,328
Net loss for the period	-	-	-	(9,428)	-	(9,428)
Share units released	124,172	295	(167)	-	-	128
Shares issued for services	86,935	331	(291)	-	-	40
Convertible debenture A modification	545,171	1,799	(515)	447	-	1,731
Warrants issued on convertible debt A modification	-	-	55	-	-	55
Promissory note modification and settlement	46,240	121	-	-	-	121
Shares and warrants issued on private placement	938,562	1,783	744	-	-	2,527
Cultivar supply agreement	113,810	180	-	-	-	180
Accounts payable settlement	53,571	225	-	-	-	225
Warrants issued on convertible debenture B	-	-	226	-	-	226
Conversion feature on convertible debenture B	-	-	226	-	-	226
Share-based compensation	-	-	725	-	-	725
Balance at August 31, 2024	10,544,741	\$109,305	\$11,673	\$(74,894)	\$ -	\$46,084

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 nine-month periods ended August 31, 2024 and 2023**(Unaudited, Expressed in Thousands of Canadian Dollars Except Share Amounts)*

	August 31, 2024	August 31, 2023
Cash flows from operating activities		
Net (loss) income	\$ (9,428)	\$ 533
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(11,715)	(19,882)
Change in fair value of biological assets realized through inventory sold	23,594	16,137
Other income	(9)	(24)
Loss on debt modification	614	-
Loss on private placement	166	-
Consulting fees	180	-
Unrealized gain on marketable securities	(61)	(3)
Depreciation and amortization	3,720	5,199
Interest and accretion	1,028	835
Financing costs	18	168
Share-based payments	717	1,210
	8,824	4,173
Changes in working capital		
Trade and other receivables	520	472
Prepaid expenses and deposits	277	1,056
Biological assets	(11,191)	1,569
Inventory	6,345	(8,861)
Accounts payable and accrued liabilities	(3,034)	5,841
Net cash flows generated from operating activities	1,741	4,250
Cash flows from investing activities		
Disposal of property, plant and equipment	9	-
Purchase of property, plant and equipment	(44)	(2,918)
Proceeds from sale of marketable securities	16	-
Acquisition of Avant K1	-	21
Investments in associates and joint venture	-	(1,595)
Loans to joint venture	-	(250)
3PL NCI buyout	-	(1,500)
3PL NCU buyout transaction costs	-	(146)
Net cash flows used in investing activities	(19)	(6,388)
Cash flows from financing activities		
Lease liability payments	(982)	(904)
Repayment of promissory note	(763)	(364)
(Repayment) Proceeds from secured credit facility	(1,095)	1,942
Repayment of convertible debenture A	(1,017)	(3,602)
Proceeds from convertible debenture B	3,900	-
Financing fees	(50)	-
Proceeds from private placement	654	-
Net cash flows generated from (used in) financing activities	647	(2,928)
Increase (decrease) in cash	2,369	(5,066)
Cash – beginning of period	772	6,764
Cash – end of period	\$ 3,141	\$ 1,698

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

AVANT BRANDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2024 and 2023

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

1 Nature and continuance of operations

Avant Brands Inc. (the “**Company**”) was originally incorporated under the Canada Business Corporations Act.

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**”) (TSX: 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 \$74,894 as at August 31, 2024, funded primarily by the issuance of equity, convertible debentures, and a secured credit facility. There is a material uncertainty related to the financial 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 subject to externally imposed capital requirements which it has met as of August 31, 2024. The Company may raise additional debt or equity financing in the near future to meet its obligations.

Conflict in Israel

On October 7, 2023, an armed Israeli/Palestinian conflict commenced and was ongoing as at August 31, 2024 (the “**Conflict**”). The Conflict may 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, these events present uncertainty and risk. To date, the Conflict 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 October 10, 2024.

AVANT BRANDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2024 and 2023

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share and Per 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
1203648 B.C. Ltd.	Kelowna, British Columbia	100%
3PL Ventures Inc. ("3PL")	Vernon, British Columbia	100%
Avant Craft Cannabis Inc. ("ACC")	Edmonton, Alberta	100%
Avant K1 Brands Inc. ("Avant K1")	Kelowna, British Columbia	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%
The Flowr Group (Okanagan) Inc. ("Flowr Okanagan")	Kelowna, British Columbia	100%
Tumbleweed Farms Corp. ("Tumbleweed")	Chase, 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 August 31, 2024, and November 30, 2023, trade and other receivables consisted of:

	August 31, 2024	November 30, 2023
Trade accounts receivable	\$3,157	\$2,959
Other receivables	170	888
Total	\$3,327	\$3,847

As of August 31, 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 August 31, 2024 (November 30, 2023: \$nil).

AVANT BRANDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2024 and 2023

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

5 Prepaid expenses and deposits

As of August 31, 2024, and November 30, 2023, prepaid expenses and deposits consisted of:

	August 31, 2024	November 30, 2023
Insurance	\$104	\$277
Packaging material prepayments	191	88
Deposits and other	1,039	1,246
Total	\$1,334	\$1,611

6 Biological assets

The following is the continuity of biological assets:

	August 31, 2024	November 30, 2023
Carrying amount, opening	\$8,033	\$4,146
Avant K1 acquisition	-	278
Production costs	13,500	17,808
Changes in fair value less costs to sell due to biological transformation	3,832	3,893
Transferred to inventory upon harvest	(18,020)	(18,092)
Total	\$7,345	\$8,033

As at August 31, 2024, it is estimated that the Company's biological assets will yield approximately 1,998,538 grams of flower (November 30, 2023: 2,145,206 grams) and 487,758 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 \$3.68 per gram of flower (November 30, 2023: \$3.69) and \$nil per gram of trim (November 30, 2023: \$0.20).

As of August 31, 2024, a change of 10% in the estimated yield per plant, growth cycle, and fair value less cost to sell of dry cannabis would result in the variances noted below to the fair value of biological assets:

Assumption	August 31, 2024	+/- 10%
Yield per plant	71 - 80 grams of flower and 13 - 21 grams of trim per plant	\$735
FV less cost to sell	\$3.68 per gram of flower	739
Estimated stage of growth	0% - 100% of Life Cycle per stage	735

7 Inventory

The Company's inventories are comprised of the following balances as at August 31, 2024, and November 30, 2023:

	August 31, 2024	November 30, 2023
Dry cannabis		
Available for packaging	\$13,594	\$18,606
Packaged inventory	1,247	1,646
Trim	-	260
Packaging materials	429	392
Total	\$15,270	\$20,904

The Company holds 6,233,593 grams of harvested cannabis (November 30, 2023: 7,250,417 grams), which is comprised of 4,854,667 grams of harvested flower and 1,648,926 grams of harvested trim (November 30, 2023: 5,925,451 grams of harvested flower and 1,247,639 grams of harvested trim).

During the nine-month period ended August 31, 2024, the Company capitalized \$17,284 of costs (August 31, 2023: \$18,416) to inventory.

AVANT BRANDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2024 and 2023

(Unaudited, Expressed in Thousands of Canadian Dollars Except Share and Per 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	-	-	1	14	1	-	30	46
Disposals	-	-	-	(9)	(1,537)	-	-	(1,546)
Balance – August 31, 2024	\$1,348	\$9,300	\$6,985	\$13,286	\$10,034	\$7,962	\$375	\$49,290
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	-	(344)	-	(1,134)	(619)	(1,038)	(49)	(3,184)
Disposals	-	-	-	-	-	-	-	-
Balance – August 31, 2024	\$-	\$(2,795)	\$-	\$(4,674)	\$(2,630)	\$(4,255)	\$(336)	\$(14,690)
Net book value								
Balance - November 30, 2023	\$1,348	\$6,849	\$6,984	\$9,741	\$9,559	\$4,745	\$58	\$39,284
Balance - August 31, 2024	\$1,348	\$6,505	\$6,985	\$8,612	\$7,404	\$3,707	\$39	\$34,600

During the nine-month period ended August 31, 2024, the Company allocated \$2,983 (November 30, 2023: \$4,113) of depreciation expense to cost of inventory.

AVANT BRANDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2024 and 2023

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

9 Intangible assets and goodwill

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

	Intangible asset	Goodwill	Total
Cost			
Balance – November 30, 2022	\$5,539	\$6,024	\$11,563
Additions from Avant K1 acquisition	50	-	50
Balance – November 30, 2023	5,589	6,024	11,613
Balance – August 31, 2024	\$5,589	\$6,024	\$11,613
Accumulated amortization			
Balance – November 30, 2022	\$(1,670)	\$-	\$(1,670)
Amortization	(1,864)	-	(1,864)
Balance – November 30, 2023	(3,534)	-	(3,534)
Amortization	(536)	-	(536)
Balance – August 31, 2024	\$(4,070)	\$-	\$(4,070)
Net book value			
Balance – November 30, 2023	\$2,055	\$6,024	\$8,079
Balance – August 31, 2024	\$1,519	\$6,024	\$7,543

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	(1,541)
Lease payments	(982)
Interest expense on lease liability	729
Balance – August 31, 2024	\$8,250
Current portion	\$1,180
Long-term portion	\$7,070

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. Additionally, on May 1, 2024, the terms of the lease for the 3PL facility have been updated, resulting in lease remeasurement. During the nine-month period ended August 31, 2024, the Company allocated \$711 (August 31, 2023: \$168) of interest expense on lease liability (included in financing costs) to cost of inventory. For a breakdown of future lease payments, refer to Note 20.

AVANT BRANDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2024 and 2023

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

11 Promissory note

The following is the continuity of the 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	(763)
Interest and accretion	36
Extinguished debt	(425)
New debt	425
Balance – August 31, 2024	\$-
Current portion	\$-
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. The promissory note bears interest at a rate of 12% per annum.

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

- a) Lenders agreed that the promissory note due for repayment on January 12, 2024, was to be extended until July 12, 2024.
- b) As consideration for entering into the Extension Agreement, the Company:
 - (i) issued 22,430 common shares at \$3.30 per share 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 \$1,500 divided by the five-day volume weighted average price (the “VWAP”) of the common shares on the TSX.

As a result of the Extension Agreement, the promissory note 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. As of August 31, 2024, the promissory note was paid back in full and 23,810 common shares at \$1.89 per share were issued as per the terms of the agreement valued at \$48 resulting in a gain on settlement of \$3.

AVANT BRANDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended August 31, 2024 and 2023

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

12 Convertible debenture - A

The following is the continuity of convertible debenture A:

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	(1,017)
Interest and accretion	529
Extinguished debt	(5,442)
New debt	3,310
Liability component carrying value, August 31, 2024	\$2,038
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, August 31, 2024	\$-
Liability component current portion	\$1,796
Liability component long-term portion	\$242

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 \$15 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 \$15 per share, provided such principal sum is not less than \$100.

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

- a) The Creditor accepted equity towards principal of the convertible debenture.
- b) As consideration for entering into the Debt Settlement Agreement, the Company:
 - (i) issued 545,171 common shares at \$3.30 per share with a fair value of \$1,799 to the Creditors;
 - (ii) granted 45,833 common share purchase warrants with a fair value of \$55 to the Creditors (see Note 15). Each warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of \$7.50 per share. 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 \$25.50; and
 - (iii) granted Creditor the right to appoint a person as an observer to the Board.
- c) 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

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conversion feature was \$68. Fair value inputs to the conversion feature were an exercise price of \$15 per share, measurement date share price of \$3.30, 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.

On June 3, 2024, as a result of non-brokered private placement (Note 15), Creditors accepted 235,294 units towards \$600 of principal of convertible debenture. As a result of the settlement, the Company recognized \$58 of loss on extinguishment of debt.

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	(1,095)
Interest and accretion	401
Secured facility financial liability, August 31, 2024	\$2,579
Warrants - equity instrument, November 30, 2022	\$84
New equity portion relating to borrowings	-
Warrants - equity instrument, November 30, 2023	84
Warrants - equity instrument, August 31, 2024	\$84
Secured facility current portion	\$1,543
Secured facility long-term portion	\$1,036

14 Convertible debenture - B

The following is the continuity of convertible debenture B:

Liability component carrying value, November 30, 2023	-
New debt	3,398
Interest and accretion	57
Liability component carrying value, August 31, 2024	\$ 3,455
Liability component current portion	\$ 1,075
Liability component long-term portion	\$ 2,380

On July 26, 2024, the company issued convertible debentures in exchange for gross proceeds of \$3,900 under the following terms: (i) a maturity date of July 26, 2028; (ii) an interest rate of 10% per annum, payable quarterly (first payment starting December 2024 with the final payment on maturity); (iii) issue 1,300,000 warrants exercisable at \$3 per share until maturity of the debt instrument and (iv) debt is convertible at \$3 per share. The lender 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 outstanding sum at the conversion price of \$3 per share, provided such principal sum is not less than \$25. The Company incurred \$156 of transaction costs directly attributable to the convertible debenture issuance. (viii) The Company issued

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warrants and recognized a conversion feature relating to convertible debenture B valued at \$226 each. The equity components were valued based on residual value after fair valuing the debt portion which was then allocated to each equity component based on the relative fair value method. The conversion feature and warrants are classified as equity and are not subsequently remeasured.

15 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.

On August 30, 2024, the Company executed a 1 for 30 reverse stock split of all outstanding warrants, options and other convertible securities (“**Reverse Stock Split**”). As a result of the reverse split, the total number of issued and outstanding shares decreased from 316,342,373 to 10,544,741. All references to share and per-share information, warrants, options, restricted stock units (“**RSUs**”), and Deferred Stock Units (“**DSUs**”) in these financial statements have been adjusted to reflect the effects of the Reverse Stock Split. The number of common shares without par value and number preference shares without par value authorized for issuance has remained the same. No fractional shares have been issued and all fractional balances have been rounded.

(a) Issued shares

During the nine-month period ended August 31, 2024:

- (i) The Company issued 86,935 common shares to service providers in connection with services received, resulting in a decrease to contributed surplus of \$291 and an increase in share capital of \$331.
- (ii) The Company issued 124,172 common shares in connection with employment compensation agreements and share units released, resulting in a decrease to contributed surplus of \$167 and an increase in share capital of \$295.
- (iii) The Company issued 53,571 common shares with a fair value of \$225 to one of its officers in lieu of the bonus payable (Note 18).
- (iv) The Company issued 46,240 common shares valued at \$121 in connection with the renegotiation and settlement of the promissory note (Note 11).
- (v) The Company issued 545,171 common shares valued at \$1,799 in connection with the renegotiation of the convertible debenture A (Note 12).
- (vi) On June 3, 2024, the Company completed a non-brokered private placement consisting of 938,562 units at a price of \$2.55 per unit. Each unit consisted of a single common share and one-half of a common share purchase warrant. The Company received gross proceeds of \$687 and offset \$1,707 of existing liabilities, including \$600 of principal of convertible debenture (Note 12). The extinguishment of liabilities resulted in a loss of \$166. The Company issued 938,562 common shares valued at \$1,783 and 474,613 (including finder’s warrants) warrants valued at \$744 (Note 15.c). The Company incurred \$33 in transaction costs and issued 5,333 finder’s warrants valued at \$7 (Note 15.c).
- (vii) The Company entered into a cultivar supply agreement. Under the agreement, the Company issued 150,000 common shares to be held in escrow and 36,190 shares were returned to escrow (Note 15.b). As of August 31, 2024, this resulted in an increase in share capital of \$180. The shares issued are accounted for as equity-settled share-based payments with non-employees under IFRS 2.
- (viii) The Company issued 1,300,000 warrants valued at \$226 (Note 15.c.) and recognized a conversion feature relating to convertible debenture B (Note 14) valued at \$226. The equity components were valued based on residual value after fair valuing the debt portion which was then allocated based on the relative fair value method.

During the nine-month period ended August 31, 2023:

- (ix) The Company issued 80,310 common shares to service providers in connection with services received, resulting in a decrease to contributed surplus of \$182 and an increase in share capital of \$451.
- (x) The Company issued 65,833 common shares in connection with employment compensation agreements, resulting in a decrease to contributed surplus of \$741 and an increase in share capital of \$571.
- (xi) The Company issued 741,658 common shares valued at \$3,906 in connection with the purchase of the non-controlling interests of 3PL. \$145 in transaction costs from the purchase were charged to equity.
- (xii) The Company contributed 246,740 common shares valued at \$1,628 in connection with the acquisition of Avant K1.

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(xiii) The Company issued 604,593 common shares valued at \$3,353 in connection with the purchase of the non-controlling interests of Avant K1.

(b) Escrow shares

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 150,000 common shares. Common shares were issued in two tranches of 75,000 common shares each. Under the first tranche:

- (i) 33,333 common shares issued before being released on July 19, 2024
- (ii) 20,833 common shares issued and were held in escrow until August 15, 2024, before release; and
- (iii) 20,834 common shares issued and will be held in escrow until December 15, 2024.

The second tranche of 75,000 common shares issued will be held in escrow and released conditional on testing of the cultivars for commercialization.

In relation to this agreement, 36,190 common shares previously held in escrow were returned to treasury.

As of August 31, 2024, the Company has 10,544,741 issued common shares, with 95,834 common shares being held in escrow.

(c) Share purchase warrants

Warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price
Balance – November 30, 2022	1,227,208	\$27.00
Granted	225,000	13.50
Balance – November 30, 2023	1,452,208	\$24.90
Granted	1,820,446	3.27
Expired	(1,227,207)	26.86
Balance – August 31, 2024	2,045,447	\$4.47

In connection with convertible debenture A (Note 12), the Company issued 45,833 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 \$7.50 per share. The assessed fair value at grant date of warrants granted was \$1,650. Fair value inputs to the warrants were an exercise price of \$7.50 per share, measurement date share price of \$3.30, 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.

In connection with the private placement (Note 15.a), the Company issued 474,613 warrants including 5,333 warrants issued for transaction fees. Each warrant entitles the holder thereof to purchase one common share of the company at an exercise price of \$3.60 per share. The assessed fair value at grant date of warrants granted was \$663. Fair value inputs to the warrants were an exercise price of \$3.60, measurement date price of \$2.10, volatility of 132.70%, risk-free rate of 3.17% and an expiry date of June 3, 2027. The fair value of the warrants was calculated using the Black-Scholes option pricing model. Warrants are not subsequently measured.

In connection with convertible debenture B (Note 14), the Company issued 1,300,000 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 \$3 per share. The value assigned at grant date for the warrants was \$226 after deducting, from the total proceeds, the fair value of the amount determined for the financial liability, a portion of allocated transaction costs and the amount allocated for the conversion feature (Note 15.a). Warrants are not subsequently measured.

The weighted average outstanding life of warrants outstanding as at August 31, 2024, is 3.29 years (November 30, 2023: 0.51 years).

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At August 31, 2024, the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price per share	Expiry date
166,667	\$15.00	February 1, 2025
45,833	\$7.50	February 23, 2026
58,333	\$9.00	July 14, 2026
474,614	\$3.60	June 3, 2027
1,300,000	\$3.00	July 26, 2028
2,045,447		

16 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	244,917	\$9.00
Granted	300,787	5.70
Expired/cancelled	(10,000)	17.4
Balance – November 30, 2023	535,704	\$6.90
Granted	6,667	1.80
Expired/cancelled	(50,000)	10.20
Balance – August 31, 2024	492,371	\$6.50

The weighted average outstanding life of stock options outstanding as at August 31, 2024, is 1.05 years (November 30, 2023: 1.95 years).

At August 31, 2024, the following stock options were outstanding:

Number of options	Options Vested	Exercise price per share	Expiry date
3,333	3,333	\$9.00	September 25, 2024
12,917	12,917	\$9.00	October 23, 2024
6,667	2,000	\$1.80	January 22, 2025
168,667	168,667	\$8.10	February 28, 2025
200,000	160,000	\$5.40	January 9, 2026
100,787	100,787	\$6.00	March 14, 2026
492,371	447,704		

(b) Share-based payments

During the nine month and three month periods ended August 31, 2024, the Company recorded share-based payment expense of \$725 and \$298, respectively (nine month period ended August 31, 2023: \$1,380 and three month period ended August 31, 2023: \$285) in relation to the stock options.

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The share-based payments represent the fair value of stock options vested during the nine-month period ended August 31, 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) RSUs and 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	167,232	\$8.10
Granted	145,802	6.90
Vested and released	(189,597)	6.60
Forfeited	(247)	8.10
Balance – November 30, 2023	123,190	\$9.00
Granted	388,316	3.14
Vested and released	(247,523)	3.39
Balance – August 31, 2024	263,983	\$5.64

The weighted average outstanding life of RSUs outstanding as at August 31, 2024, is 0.98 years. Share-based payments included \$113 of RSU and DSU expense. RSUs and DSUs generally vest in tranches across a twelve-month period.

At August 31, 2024, the following RSUs and DSUs were outstanding:

Number of RSUs and DSUs	Grant date	Vesting Date
78,500	March 1, 2022	Mar. 1, 2022, Jun. 1, 2022, Sep. 1, 2022, Dec. 1, 2022, Mar. 1, 2023
4,412	December 28, 2022	Dec. 28, 2022, Mar. 1, 2023
31,481	January 9, 2023	Apr. 14, 2023, Jul. 15, 2023, Oct. 15, 2023, Feb. 28, 2024
22,728	February 23, 2024	Sep. 15 2024, Mar. 1 2025, Mar.1 2026, Mar.1 2027
26,667	March 18, 2024	Oct. 15 2024, Mar. 1 2025, Mar. 15 2025, Dec. 15 2025
34,524	July 5, 2024	Oct. 5 2024, Jan. 5 2025, Apr. 5 2025, Jun. 22 2025, Jun. 22 2026
45,671	July 29, 2024	Sep. 5 2023, Dec. 5 2023, Feb. 23 2024, Mar. 5 2024, May 23 2024, Jun 5 2024, Jul 29 2024, Aug 23 2024, Nov 23 2024
20,000	August 6, 2024	Aug. 6 2025, Aug. 6 2026, Aug. 6 2027
263,983		

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17 Net revenue

The Company's total net revenues were as follows:

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Recreational revenue	\$2,974	\$4,330	\$9,690	\$13,233
Provision for sales returns and allowances	(200)	(352)	(200)	(352)
Net recreational revenue	\$2,774	\$3,978	\$9,490	\$12,881
Bulk cannabis sales	5,620	2,396	14,918	8,357
Medical revenue	25	40	61	133
Management fees and other revenue	46	77	362	135
Total	\$8,465	\$6,491	\$24,831	\$21,506

18 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 nine-month periods ended August 31, 2024, and August 31, 2023, consists of the following:

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Salaries and wages	\$508	\$304	\$730	\$667
Director fees	81	45	126	130
Share-based payments	260	176	385	1,164
Total	\$849	\$525	\$1,241	\$1,961

On January 24, 2024, the Company issued 53,571 common shares with a fair value of \$225 to one of its officers in lieu of the bonus payable.

Certain key management personnel services are provided by a third party. The Company incurred \$126 for the nine month period ended August 31, 2024 (August 31, 2023: \$nil) and \$47 for the three month period ended August 31, 2024 (August 31, 2023: \$nil) for the provision of key management personnel services provided by the third party.

Related party balances

As at August 31, 2024, accounts payable and accrued liabilities included \$83 (November 30, 2023: \$45), which was due to directors of the Company in connection with directors' fees, and \$492 due to officers of the company.

Additionally, on May 8, 2024, the Company entered into a loan agreement with a related party in the amount of \$200. The loan is repayable on demand. The loan bears interest at a rate of 8.5% per annum and has been fully repaid by the Company.

Related party transactions

During the year ended November 30, 2017, the Company entered into a share purchase agreement to purchase 100% interest in GBP. The entity was under common control of two of the Company's executive officers. Certain milestones within these agreements remain outstanding and are disclosed under Note 20 below.

On January 31, 2024, the Company entered into a 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.

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On June 3, 2024, the Company closed a private placement (Note 15.a) which was used to offset accounts payable and accrued liabilities which was due to directors of the Company in connection with directors' fees and executive officers' compensation in the amount of \$318. Related parties also contributed \$47 in cash through the private placement.

19 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.

The convertible debenture conversion features A and B are level 3 securities 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	\$3,141	\$-	\$3,141
Trade and other receivables	3,327	-	3,327
Liabilities			
Accounts payable and accrued liabilities	\$8,654	\$-	\$8,654
Secured credit facility	2,579	-	2,579
Lease liabilities	8,250	-	8,250
Convertible debenture A	2,038	-	2,038
Convertible debenture A – conversion feature	-	1	1
Convertible debenture B	3,455	-	3,455

20 Commitments and contingencies

The following table summarizes the maturities of the Company's financial liabilities as at August 31, 2024, based on the undiscounted contractual cash flows:

	Carrying value	Contractual cash flows	< 1 year	1 - 5 years	>5 years
Accounts payable and accrued liabilities	\$8,654	\$8,654	\$8,654	\$-	\$-
Lease liabilities	8,250	18,753	1,186	4,242	13,325
Secured credit facility	2,579	3,096	1,461	1,635	-
Convertible debenture A	2,038	2,245	1,796	449	-
Convertible debenture B	3,455	4,795	1,075	3,720	-
Total	\$24,976	\$37,543	\$14,172	\$10,046	\$13,325

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,

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individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. As at August 31, 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 August 31, 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
	\$2500

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) \$30. 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.

21 Comparative figures

Certain comparative figures as at August 31, 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.