



CANNABIS
— NB —

2023-2024

**ANNUAL
REPORT**

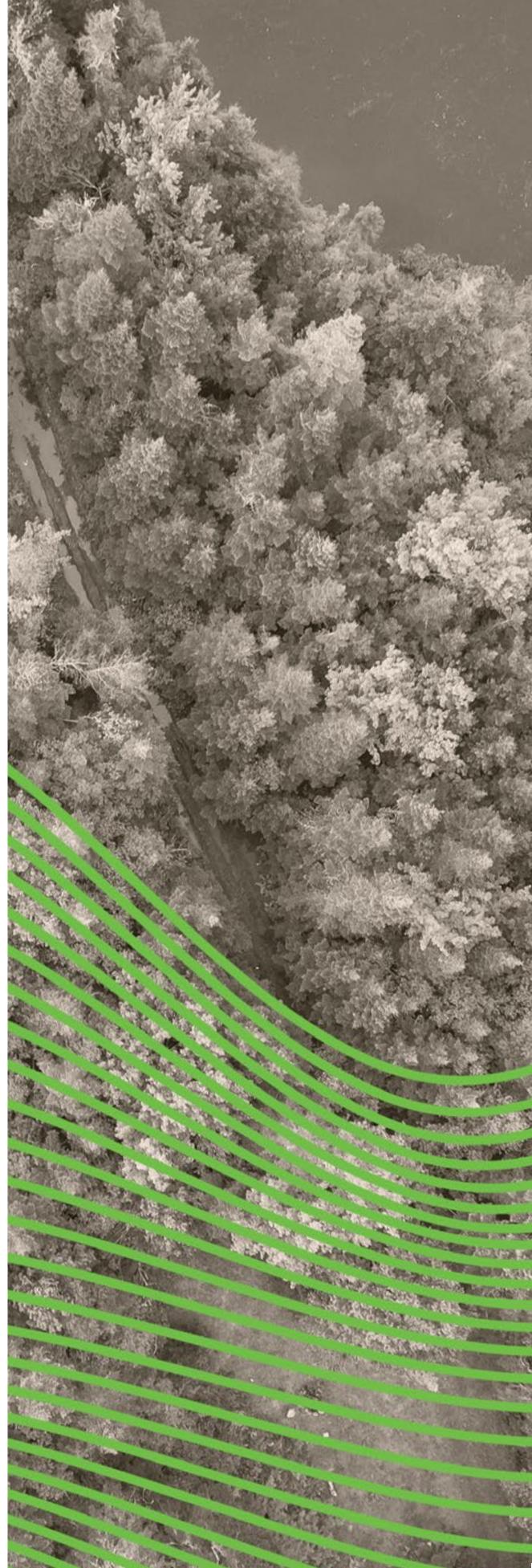
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CANNABIS-NB.COM

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LETTER FROM THE CHAIR

Honourable Ernie Steeves
Minister of Finance
Province of New Brunswick
Fredericton, NB

Dear Minister Steeves,

On behalf of the Cannabis NB Board of Directors, I am pleased to present you with the 2023 – 2024 annual report. As Chairman of the Board, I am accountable for achieving the specific goals and objectives outlined in this report, however the entire Board recognizes and upholds this accountability collectively, seriously, and with great pride.

Cannabis NB achieved a record net income of \$22.7 million and sales of \$93.8 million with continued competition from the illicit market. The team's focus on customer service, expense savings and working with our suppliers contributed to this year's results.

October 2023 marked Cannabis NB's five-year anniversary, and since its inception, it has grown and expanded into the successful and responsible business it is today. We now have 25 corporate stores, six Farmgate partners, and eight private retail partners, with a strong emphasis on increasing visibility and access of safe legal products. The core focus of its retail business and the TEAM is youth protection, reducing the illicit market, education, and safety, while returning all profits to the province and its taxpayers.

This past year, Cannabis NB became the first ever cannabis board in Canada to host a consumer-facing education event, with over 1,400 attendees. Licensed producers from across the country were able to connect with cannabis enthusiasts, sharing information about their products and the cannabis industry.

Cannabis NB also launched the third phase of the educational Good to Know campaign this past fall, focused on educating cannabis consumers about the legal versus illicit market, building trust and support for the legal cannabis industry in New Brunswick.

On behalf of the Board of Directors, I extend congratulations to the Cannabis NB TEAM for the achievements of the past year and THANK YOU for your great customer service. We look forward to sharing further successes with the people of New Brunswick.



Respectfully submitted,

John Correia
Chair, Board of Directors



BOARD OF DIRECTORS

**As of March 31, 2024*

John Correia
Chair

Cédric Laverdure
Director

Joanne Bérubé Gagné
Director

Kathryn Craig
Director

Paul Elliott
Director

Kevin Berry
Director

Bruce Wood
Director

Cheryl Hansen
*Deputy Minister of Finance and
Treasury Board (ex officio)*

Lori Stickle
President & CEO (ex officio)

PRESIDENT'S MESSAGE

This year, Cannabis NB celebrated its five-year anniversary, and I am immensely proud of our team and their accomplishments leading up to this milestone.

Cannabis NB had another record-setting year in fiscal 2023 – 2024 with notable growth across multiple areas. We celebrated our team's development and engagement, enhanced our product offerings, expanded our retail network, hosted our first consumer-facing education event and increased consumer awareness for safe purchase and consumption through the re-launch of our "Good to Know" campaign.

This year also saw the opening of eight private retail channel locations, increasing access to safe, legal cannabis products in underserved areas of the province. Our Farmgate program expanded with a new location, and continues to offer local licensed producers the chance to educate customers about their products and processes.

The fiscal 2023 – 2024 was a true success for Cannabis NB, reflected in our strong financial results detailed in the following pages. These results highlight our commitment to delivering a memorable customer service and a unique retail experience.

Our team's engagement scores remain strong and best in class. This engagement is not only beneficial to our customers and partners but also central to the culture that underpins Cannabis NB's success.

We remain focused on our three-year strategic plan aimed at growth while upholding one of our most fundamental objectives: ensuring a safe and responsible cannabis industry in New Brunswick. Our commitment to safety and education is a cornerstone of Cannabis NB's culture, embedded in every sales experience.

For us, delivering for the people of New Brunswick means generating revenue to support the province, while consistently prioritizing safety, responsibility, and top customer service. This commitment is reflected in our Mission, Vision, and Values. Our growth in all areas of the business continues to contribute to New Brunswick's economy and inspire the Cannabis NB team as they lead this innovative industry.

On behalf of the entire Cannabis NB team, I extend my heartfelt thanks to our partners and stakeholders, our Board of Directors, the Cannabis Management Corporation, and the Province of New Brunswick for their support.



Respectfully submitted,

Lori Stickles
President & CEO

EXECUTIVE MANAGEMENT

**As of March 31, 2024*

Lori Stickles
President and CEO

Lara Wood
Vice President of Marketing and Communications

Dana Scott
Vice President of Operations

Jamie LeBlanc
Vice President and Chief Financial Officer

Craig Clark
Vice-President of Information Technology

Mike Harty
*Vice President of Operations
(Property Management & Environmental Health and Safety)*

STRATEGIC FOUNDATION

Fiscal 2023 – 2024 was another historic year for Cannabis NB as it completed the first year of its three-year strategic plan. By adhering to its strategic goals and values, Cannabis NB aims to solidify its position as a leader in the cannabis industry, providing exceptional value to customers, supporting community development, and promoting a sustainable future. Through a focus on customer experience, operational excellence, market expansion, community engagement, and sustainability, Cannabis NB will continue to drive growth and make a positive impact in New Brunswick for all New Brunswickers.

MODEL EVOLUTION

This year, Cannabis NB expanded its model by opening eight of the nine planned private retail locations, as well as the onboarding of an additional Farmgate operator, bringing the total to six in operation – the most of any province in Canada. Total sales in the private retail channel exceed \$2.8M.

CATEGORY MANAGEMENT

In fiscal 2023 – 2024, Cannabis NB observed a significant shift in consumer preferences towards convenience products including vape pens, concentrates, and pre-rolls, which now account for over 50 per cent of total sales. Whole bud has decreased to over 30 per cent of sales. Within this trend is the rapid growth of infused pre-rolls, now representing 15 per cent of total concentrate sales.

Cannabis NB has a strong commitment to innovation and maintains a collaborative approach with partners to ensure it brings the highest quality offerings to the New Brunswick market. This collaboration includes working closely with local producers, who currently contribute 21.5 per cent of total sales, a figure expected to rise as more local products become available.

Cannabis NB is dedicated to sustaining a growth trajectory by continuously adapting to consumer preferences, expanding its product range, and strengthening its partnerships with both local and national producers.



CANNABIS NB BY THE NUMBERS

*As of March 31, 2024

PRODUCTS FROM NEW BRUNSWICK

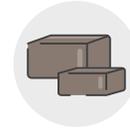
GRAND TOTAL **279**



58
WHOLE BUDS



46
ACCESSORIES



42
CONCENTRATES



38
PRE ROLLS



31
EDIBLES



25
TOPICALS



19
CLONES



9
MILLED



5
CAPSULES



4
SEEDS



2
INFUSED
EDIBLE OIL

RETURN TO THE PROVINCE OF NEW BRUNSWICK

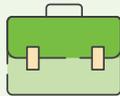
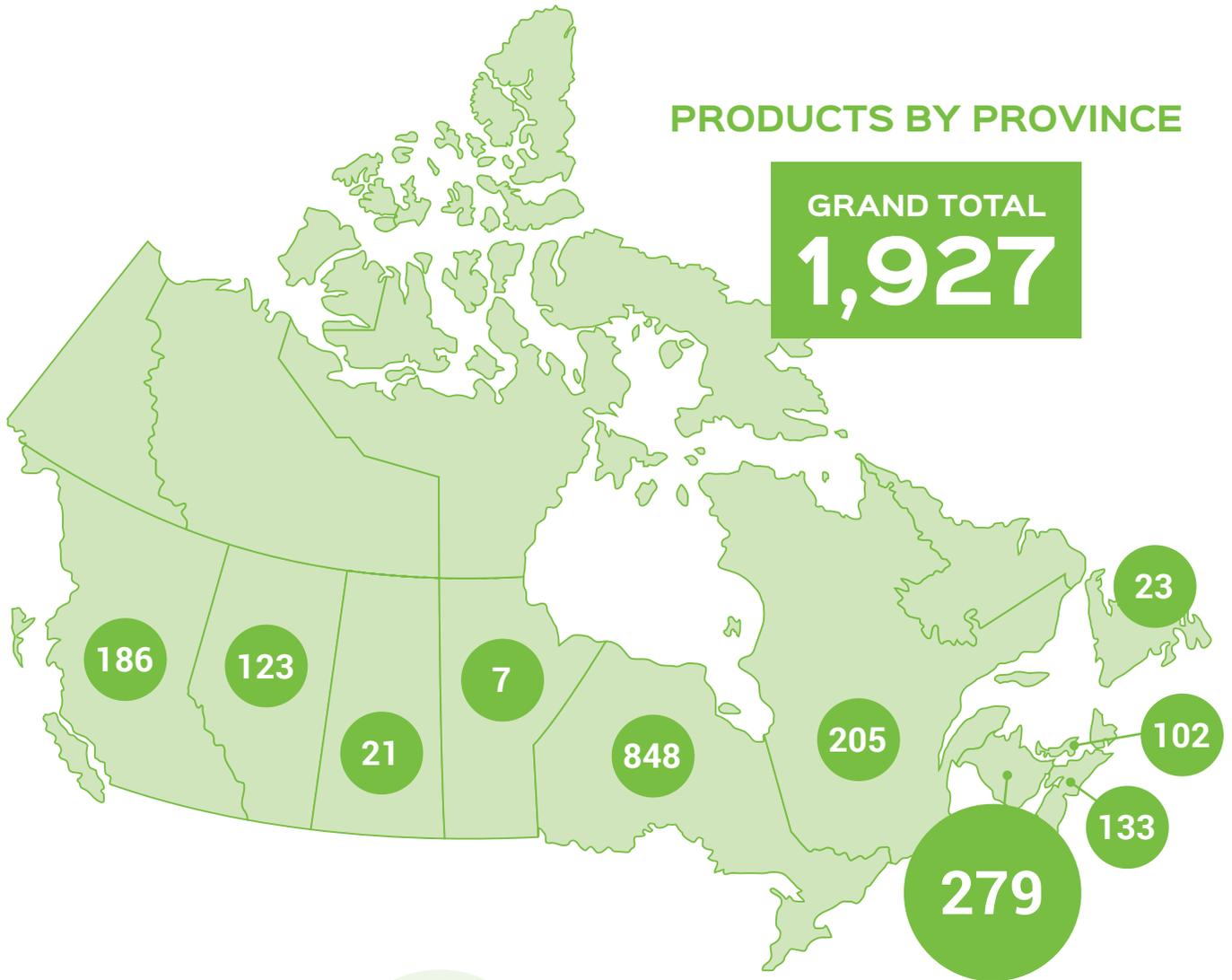
*Payments returned to the Province of New Brunswick differ from net income as payments made are based on net cash available from operations during the fiscal year.

\$24.8M



CANNABIS NB BY THE NUMBERS

*As of March 31, 2024



OUR TEAM

100

CUSTOMER FACING
(FULL-TIME/PART-TIME)
EMPLOYEES

149

CUSTOMER FACING
OCCASIONALS

27

NON-CUSTOMER
FACING EMPLOYEES

TOTAL

276

*Employment #s reflect active employees and employees on leave as at March 31, 2024.



FINANCIAL OVERVIEW

The information below provides an overview of Cannabis NB’s financial position for the year ended March 31, 2024, and should be read in conjunction with CNB’s audited financial statements and note disclosures.

Following an accounting convention common to the retail industry, CNB follows a 52-week reporting cycle that periodically necessitates a 53-week fiscal year due to the floating year-end date. The fiscal year ended March 31, 2024, was a 52-week year.

Cannabis NB remained committed to its strategic goals and objectives, including fiscal responsibility, and successfully generated *Net income* of \$22.7M, an increase of 24.0% over prior year.

Driving the bottom-line increase were *Total sales* at \$93.8M, up 12.4% year-over-year. Both the dried flower and concentrates categories generated significant growth, at \$3.6M and \$5.3M respectively. Despite strong year-over-year growth, the dried flower category continued to shrink

as a percentage of total sales as consumers moved to more convenient forms of consumption, and from continued competition from the illicit market. The launch of Cannabis NB’s Private Retail Channel, aimed at improving access to regulated products across the province, will better support customers having improved access to the legal market.

In-store sales saw the average annual ticket increase to \$59.03 from the prior year’s \$58.42, with transaction counts increasing to 1.5M.

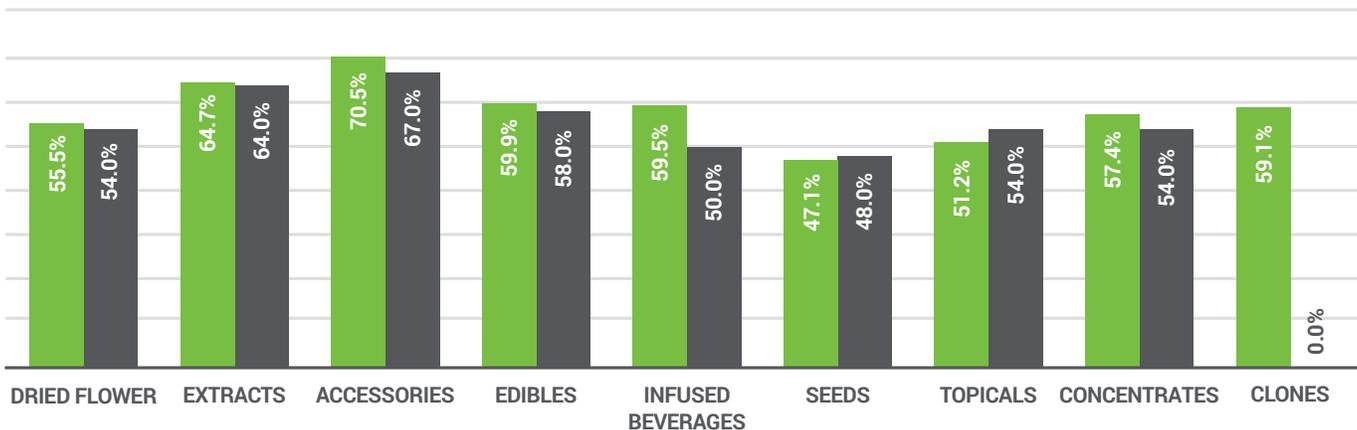
Strong *Total sales* translated into strong *Gross profit %s*, approximating targets across all product categories as highlighted below.

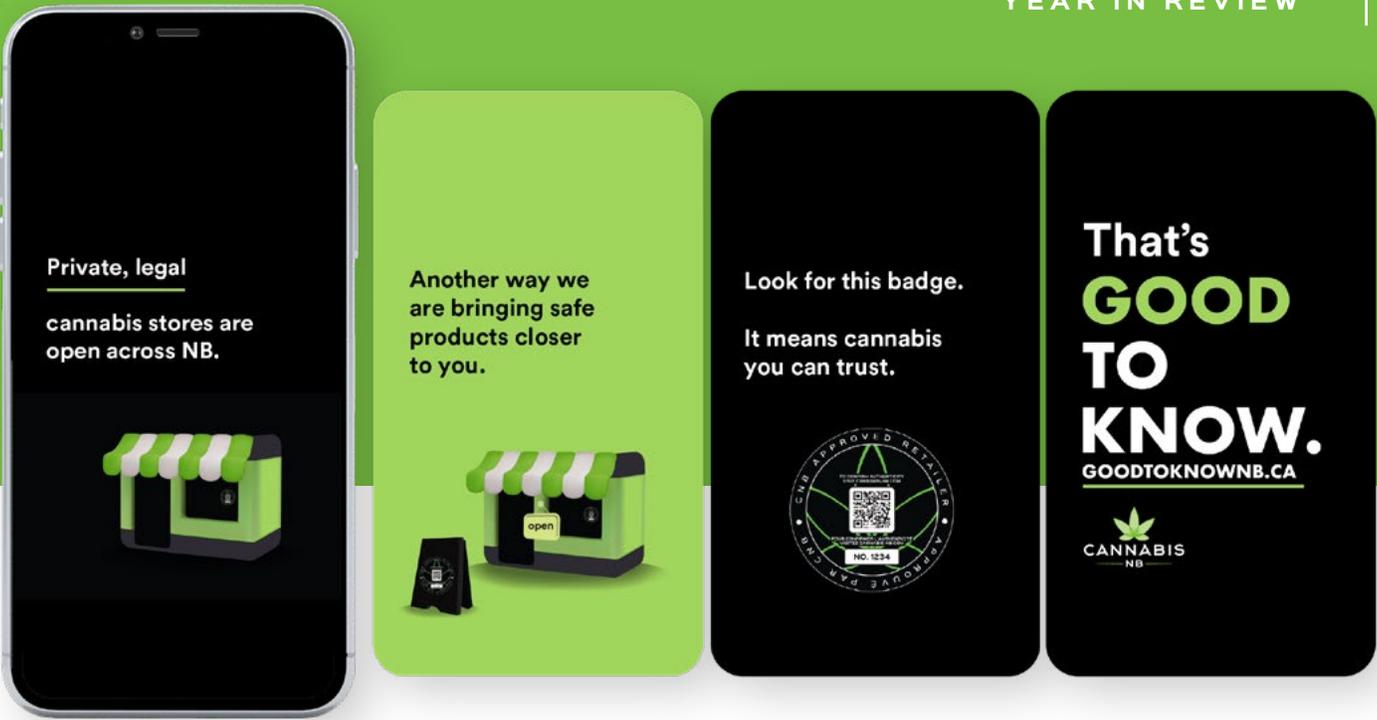
Along with strong expense management in several controllable areas, and a focus on alignment of resources to sales needs, the nominal increase in *Operating expenses* year-over-year further demonstrates the organization’s commitment to fiscal responsibility.

GROSS PROFIT %

ACTUALS to BUDGET

Actuals Budget



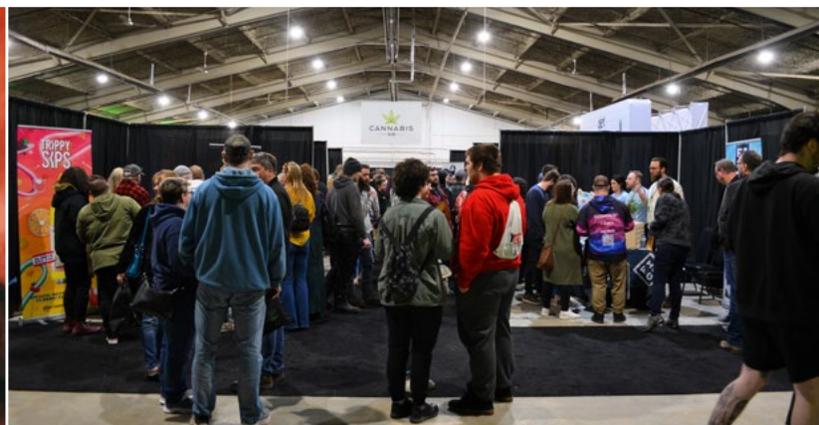


BRAND & MARKETING

While federal regulations limit many marketing and advertising opportunities related to the sale and promotion of cannabis within the legal cannabis space, Cannabis NB's social responsibility platform, Good to Know, provides an opportunity to provide helpful information to the public. The platform seeks to educate 19+ New Brunswickers around making good decisions and using good judgment when it comes to cannabis consumption as well as dispelling myths and sharing facts about the many health and safety dangers of the illicit market. This year Cannabis NB implemented three flights of its Good to Know educational campaign with increasingly strong results. The campaign achieved over 5.6 million impressions and achieved or exceeded benchmarks for engagement. These results indicate that Cannabis NB's social responsibility messaging resonates with New Brunswickers.

Another key initiative for the fiscal year was the inaugural Cannabis Expo, a cannabis education tradeshow for 19+ New Brunswickers who consume cannabis as well as those who are curious about the industry and legal products. The event was hosted in Fredericton at the Capital Exhibit Centre and included a Cannabis NB pop-up shop and over 20 exhibitors, representing Canada's legal cannabis brands. Other exhibitors included RPC, Cannabis NB's hiring team and a Good To Know information booth. Cannabis Expo saw over 1,400 attendees.

Additionally, the Brand and Marketing team activated a number of other projects in support of progress towards Cannabis NB's Strategic Plan (including the development of a multi-year marketing strategy and conducting CSR research) and continuously improving the owned media channels at Cannabis NB.





OPERATIONS STRATEGY WORK

Supply Chain Act

During fiscal 2023 – 2024, the federal government passed into law the Supply Chain Act, the “*Fighting Against Forced Labour and Child Labor in Supply Chains Act*”. This new Canadian law is intended on raising industry awareness and transparency and improving business practices. It requires Cannabis NB, as an entity, to file annual public reports on the steps they have taken to prevent the use of forced labour and child labour in their supply chains. Since the law came into effect in January 2024, Cannabis NB has brought awareness to the business of the act and has begun collaboration with neighbouring jurisdictions on plans moving forward. A copy of the initial report can be found on Cannabis NB’s website.

PERFORMANCE CULTURE

Hiring and Recruitment

The Human Resources team continues to streamline and improve the recruitment process. Its goal is to foster a positive candidate experience and strengthen the overall workforce for the organization. The team implemented a Recruitment/ Onboarding survey that is sent out to all new hires. Feedback indicates a 95 per cent onboarding satisfaction rate and 91 per cent of the respondents indicate they feel well equipped to meet the expectations of their role. The feedback received from the survey is used for continuous improvement.

Cannabis NB has onboarded 100 new team members this fiscal year.



Employee Engagement

Cannabis NB conducted an Employee Engagement Survey in July 2023 and January 2024. The overall scores were 4.49 and 4.46 respectively. Store teams continue to focus on employee engagement.

Cannabis NB celebrated its five-year anniversary in October 2023. Senior management traveled throughout the province visiting all the stores to celebrate this milestone. Each team member received a gift to acknowledge their contributions. Team members who have five years of service receive a five-year pin, a certificate, and \$100 gift card.

In October, Cannabis NB also launched its Employee Handbook. The handbook is a tool that supports employee engagement by promoting clarity and consistency. When team members understand their roles and feel they align with the company's mission and values they are more likely to be engaged and committed to their roles and the organization.

A "Welcome Aboard" presentation was created for all new leaders in collaboration with various departments to ensure new leaders are aware of the different areas within the business and their role in the organization.

Team Development

Cannabis NB's Training symposium was held in Moncton from October 25 – 27, 2024. Team members from across the province were able to attend this incredible learning event with learning sessions from our various licensed producers.

New leader training guidelines and checklist was completed and rolled out to the organization. The purpose is to have consistency in training across the organization and to set our new leaders up for success in their roles.

In December 2023, all employees participated in Respect in the Workplace and Workplace Violence training.

Cannabis NB continues to invest in team development and growth by offering development sessions on areas such as finance and leadership. These sessions assist in developing business acumen and ensure team members are aware of financial and business performance. These sessions continue to evolve to meet the needs of the business and further develop team members. The commitment in this area has developed team members who are true business owners and are invested in the overall success of the business.





CUSTOMER SERVICE AWARDS

Celebrating the team’s contribution to every one of Cannabis NB’s successes is always a priority. Each year, Cannabis NB recognizes success tied to key business goals from the year as well as exceptional customer service and support within the team.

SALES TO BUDGET

SAINT JOHN 156.98%

SALES VS PRIOR YEAR

ROTHESAY 20.68% INCREASE

GUIDE EXCELLENCE

GRAND FALLS

SAFETY OF PRODUCT

MONCTON MAIN ST. 0.00027%

TICKET EXCELLENCE

EDMUNDSTON \$77.20

OPERATIONAL EXCELLENCE

SACKVILLE 106.8%

TICKET GROWTH EXCELLENCE

RICHIBUCTO 4.65% INCREASE

BUD OF THE YEAR AWARDS

2023 - 2024

The Bud of the Year program is Cannabis NB’s internal recognition program. Team members are nominated by their peers to be chosen, based on those who live and breathe the Cannabis NB brand, exemplify its team rules and vision, and dedicate every single day to achieving greatness through Cannabis NB’s strategic pillars.

OUR WINNERS THIS YEAR WERE:

MARK STEEVES
WYSE RD

ALEC MAILLET-HAYDOCK
RICHIBUCTO

JACOB TOPS
SUSSEX

NANCY-ANN TAYLOR
EDMUNDSTON

LIAM DOWNEY
MAIN ST., MONCTON

TRANG VO
MIRAMICHI

KAYLA MADSEN
ST. STEPHEN

MARC-ANDRÉ AUDET
CAMPBELLTON

CORY CAISSIE
DIEPPE

NICOLE BARD
BATHUST

CODY VEY
ROOKSIDE

SAMANTHA STANLEY
WOODSTOCK

KAITLYN BARTHE
SHEDIAC

DAVID WILLIAMS
LANSDOWNE

ALEX MACKIE
WOODSIDE

COLIN GALLANT
FAIRVILLE

JAMIE CHISHOLM
SACKVILLE

ANTHONY CLEGHORN
ROTHESAY AVE

SHAWN SMITH
OROMOCTO

JIMMY CYR
GRAND FALLS

ANGIE COMEAU
TRACADIE

SOPHIE URBANOWSKY
ROTHESAY KV

NATHAN SPENCER
PERTH

ALEXANDRE LEBLANC
GRANITE

GOVERNANCE

Report on the *Official Languages Act*

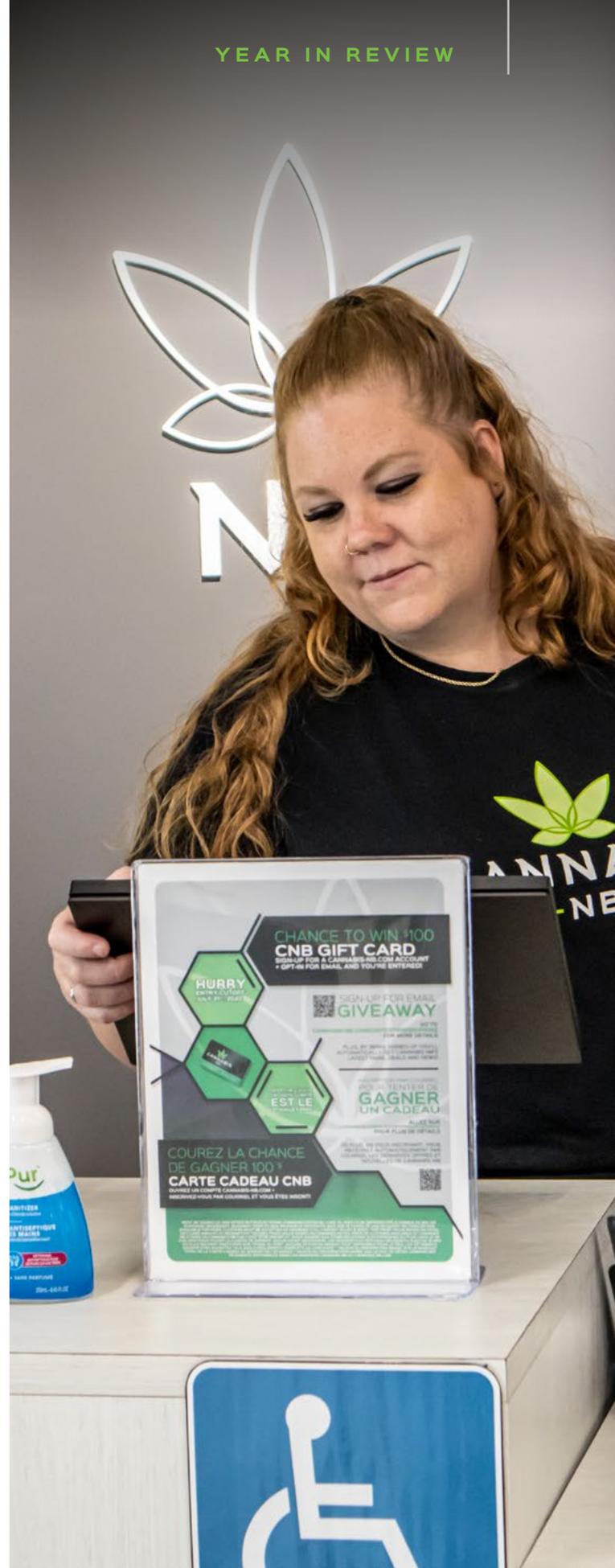
Cannabis NB received four language complaints in fiscal 2023 – 2024. Cannabis NB worked with the Office of the Commissioner of Official Languages for New Brunswick to determine appropriate solutions. Three complaints have been resolved and a response has just been submitted for the fourth.

Report on the *Public Interest Disclosure Act*

As provided under section 18(1) of the *Public Interest Disclosure Act*, the chief executive shall prepare a report of any disclosures of wrongdoing that have been made to a supervisor or designated officer of the public service for which the chief executive is responsible. There were no disclosures made during fiscal 2023 – 2024 pursuant to the policy.

Right to Information and Protection of Privacy Act

During fiscal 2023-2024, there were three requests received under the *Right to Information and Protection of Privacy Act*. One request was abandoned, one was answered and closed during the fiscal year, with one remaining in progress at the end of the fiscal year.



CORPORATE STORE NETWORK

*AS OF MARCH 31, 2024

- 1 Moncton – Wyse Street
- 2 Moncton – Main Street
- 3 Dieppe
- 4 Shediac
- 5 Sackville
- 6 Tracadie
- 7 Richibucto
- 8 Miramichi
- 9 Bathurst
- 10 Saint John – Lansdowne
- 11 Saint John – Rothesay Avenue
- 12 Rothesay
- 13 Sussex
- 14 St. Stephen
- 15 Fredericton – Brookside Drive
- 16 Fredericton – Woodside Lane
- 17 Oromocto
- 18 Perth Andover
- 19 Edmundston
- 20 Campbellton
- 21 Woodstock
- 22 Saint John – Fairville
- 23 Grand Falls
- 24 Riverview
- 25 Moncton – Granite



PRIVATE RETAIL OPERATOR STORE NETWORK

*AS OF MARCH 31, 2024

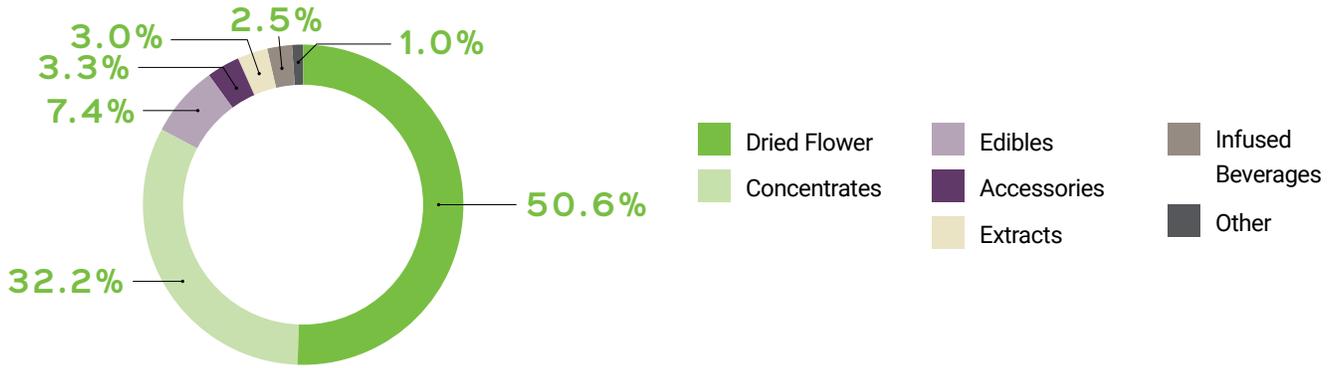
- 1 Cannabis Xpress – Grand Bay-Westfield
- 2 Cannabis Xpress – Hampton
- 3 McCannabis
- 4 Cost Cannabis – Bouctouche
- 5 Cost Cannabis – Blackville
- 6 Green Timber Cannabis
- 7 Le Marchand de Cannabis
- 8 Pinnacle Cannabis

FARMGATE LOCATIONS

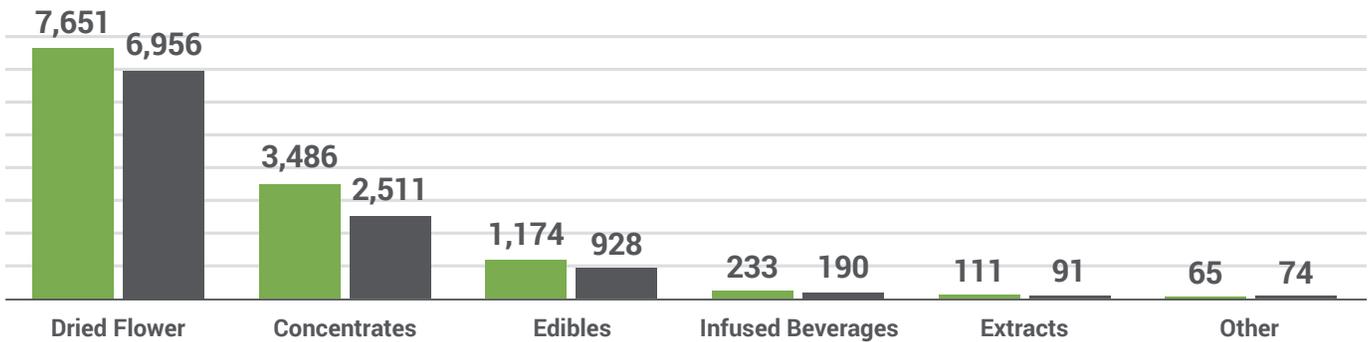
*AS OF MARCH 31, 2024

- 1 Crystal Cure
- 2 ECO Canadian Organic
- 3 Sana’a Cannabis
- 4 Hidden Harvest
- 5 Stewart Farms
- 6 Greenherb Farms

SALES BY PRODUCT CATEGORY (%)



SALES IN VOLUME (DFE) DFE = Dried Flower Equivalent (000's) 2023 - 2024 2022 - 2023



PERCENTAGE SALES

- In store
- Online



MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with International Financial Reporting Standards in Canada. Financial information presented elsewhere in this Annual Report is consistent with these financial statements.

The Corporation maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements and Annual Report, meets periodically with management, and the internal and external auditors, concerning internal controls and all other matters relating to financial reporting.

KPMG, the external auditors of the Corporation, have performed an independent audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.

[signed by]

Lori Stickles
PRESIDENT AND CEO

[signed by]

Jamie LeBlanc
SENIOR VICE PRESIDENT AND CFO

KPMG LLP

Frederick Square
77 Westmorland Street, Suite 700
Fredericton, NB E3B 6Z3
Canada
Telephone 506 452 8000
Fax 506 450 0072

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Cannabis NB Ltd.

Opinion

We have audited the financial statements of Cannabis NB Ltd. (the Corporation), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations and other comprehensive income for the 52-week period then ended
- the statement of changes in equity for the 52-week then ended
- the statement of cash flows for the 52-week then ended
- and notes to the financial statements, including a summary of material accounting policy information.

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2024, and its financial performance and its cash flows for the 52-week period then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our auditor’s report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows the handwritten signature of KPMG LLP in black ink. The letters are bold and slanted, with a horizontal line underneath the signature.

Chartered Professional Accountants

Fredericton, Canada

June 27, 2024

CANNABIS NB LTD.Statement of Financial Position
(In thousands)

March 31, 2024, with comparative information for April 2, 2023

	March 31 2024	April 2 2023
Assets		
<i>Current Assets</i>		
Cash	\$ 1,000	\$ 855
Trade and other receivables	313	18
Inventories	11,327	10,163
Prepaid expenses	796	1,758
	<u>13,436</u>	<u>12,794</u>
<i>Non Current Assets</i>		
Property and equipment (note 4)	528	990
Intangible assets (note 5)	2,589	2,919
Right-of-use assets (note 6)	21,788	24,003
	<u>24,905</u>	<u>27,912</u>
<i>Total Assets</i>	<u>\$ 38,341</u>	<u>\$ 40,706</u>
Liabilities		
<i>Current Liabilities</i>		
Trade and other payables	\$ 5,859	\$ 4,107
Lease liabilities due within one year (note 6)	2,329	2,242
	<u>8,188</u>	<u>6,349</u>
<i>Non Current Liabilities</i>		
Long-term lease liabilities (note 6)	21,257	23,367
<i>Total Liabilities</i>	29,445	29,716
Equity of the Province of New Brunswick		
Equity	<u>8,896</u>	<u>10,990</u>
<i>Total Liabilities and Equity</i>	<u>\$ 38,341</u>	<u>\$ 40,706</u>

Contingencies (note 11)

See accompanying notes to financial statements.

On behalf of the Board:

[signed by]
John Correia
Chair of the Board[signed by]
Cédric Laverdure
Chair of the Audit Committee

CANNABIS NB LTD.

Statement of Operations and Comprehensive Income
(In thousands)

52 weeks ended March 31, 2024 with comparative information for the 52 weeks ended April 2, 2023

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Total sales (note 8)	\$ 93,829	\$ 83,492
Less: discounts	<u>8,019</u>	<u>7,192</u>
Net sales	85,810	76,300
Cost of sales	<u>40,105</u>	<u>36,693</u>
Gross profit	45,705	39,607
Other income	<u>880</u>	<u>738</u>
	46,585	40,345
Operating expenses (note 9)	<u>23,860</u>	<u>22,021</u>
Net income and comprehensive income	<u><u>\$ 22,725</u></u>	<u><u>\$ 18,324</u></u>

See accompanying notes to financial statements.

CANNABIS NB LTD.

Statement of Changes in Equity
(In thousands)

52 weeks ended March 31, 2024 with comparative information for the 52 weeks ended April 2, 2023

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Balance at beginning of year	\$ 10,990	\$ 9,196
Net income and comprehensive income	22,725	18,324
Payments to the Province of New Brunswick	<u>(24,819)</u>	<u>(16,530)</u>
Balance at end of the year	<u>\$ 8,896</u>	<u>\$ 10,990</u>

See accompanying notes to financial statements.

CANNABIS NB LTD.

Statement of Cash Flows
(In thousands)

52 weeks ended March 31, 2024 with comparative information for the 52 weeks ended April 2, 2023

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Operating		
Net income and comprehensive income	\$ 22,725	\$ 18,324
Items not involving cash:		
Depreciation	3,179	3,493
Amortization of intangible assets	535	538
Loss on impairment of intangibles	-	175
Lease liabilities - interest portion (note 6)	771	831
Change in non-cash working capital (note 7)	1,255	(3,122)
Cash generated from operations	28,465	20,239
Investing		
Additions to property and equipment	(244)	(329)
Additions to intangible assets	(205)	(295)
Proceeds from sale of property and equipment	16	4
Net cash used for investing activities	(433)	(620)
Financing		
Lease payments (note 6)	(3,068)	(2,971)
Payments to the Province of New Brunswick	(24,819)	(16,530)
Net cash used for financing activities	(27,887)	(19,501)
Increase in cash	145	118
Cash at beginning of year	855	737
Cash at end of year	\$ 1,000	\$ 855

See accompanying notes to financial statements.

CANNABIS NB LTD.

Notes to Financial Statements
(In thousands)

52 weeks ended March 31, 2024

1. Nature of operations and reporting entity:

Cannabis NB Ltd. (the “Corporation”) is incorporated under the Business Corporations Act. The Corporation is an investee of New Brunswick Liquor Corporation (“ANBL”), a Crown Corporation, which owns 100% of the common shares issued by the Corporation and oversees the day-to-day management of the Corporation. The Corporation's main office is located in Fredericton, New Brunswick. The Corporation is exempt from Income Taxes under Section 149 of the Income Tax Act.

On October 1, 2018, the Corporation entered a five-year agreement with Cannabis Management Corporation (“CMC”), a Crown Corporation, for the distribution and sale of recreational use cannabis. After the expiration of the initial term of the agreement, CMC has the option to renew the agreement for two subsequent 5-year terms. The agreement was renewed effective March 8, 2023. The agreement entitles CMC to all net profits from the Corporation's operations, upon repayment of all amounts owing to ANBL, with payments distributed based on available cash flow.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”).

The financial statements for the year ended March 31, 2024, were approved, and authorized for issue by the Board of Directors on June 27, 2024.

(b) Fiscal year:

The Corporation's fiscal year ends on the Sunday closest to March 31. All references to 2024 and 2023 represent the fiscal years ended March 31, 2024, and April 2, 2023, respectively. Under an accounting convention common in the retail industry, the Corporation follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The year ended March 31, 2024, contained 52 weeks and the year ended April 2, 2023, contained 52 weeks. Typically, the inclusion of an extra week occurs every fifth or sixth fiscal year due to the Corporation's floating year-end date. The next 53-week year will occur in fiscal 2028.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis. These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Changes in accounting policies and disclosures:

The Corporation has applied amendments to IAS 1 – *Disclosure of Accounting Policies* which is effective January 1, 2023. The amendments require the Corporation to disclose its material accounting policies, rather than its significant accounting policies. This change did not result in any additional accounting policies being disclosed.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies:

(a) Use of estimates and judgements:

The preparation of financial statements requires management to make certain judgements, estimations and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised, and any future years affected.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Corporation that have the most material effect on the financial statements.

Impairment of property and equipment, right-of-use, and intangible assets

Judgement is used in determining the aggregate grouping of assets identified as Cash Generating Units (“CGUs”) for purposes of testing for impairment of property and equipment, right-of-use assets (ROU), and intangibles. Judgement is required in determining the lowest level at which independent cash inflows are generated. The Corporation has defined CGUs as its retail stores. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be conducted.

Capitalization of internally developed software

Judgement is required in distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

Right-of-use assets and lease liabilities

Judgement is required to determine whether an option to extend the lease term would be reasonably certain to be exercised. Management considers all facts and circumstances, including its past practice and any cost that will be incurred to improve or modify the leased asset if an option to extend is not taken, to help it determine the lease term.

Judgement is also required where the interest rate implicit in the lease is not readily available. Management uses the lessee’s incremental borrowing rate to measure the present value of the remaining lease payments. Management’s determination of the Corporation’s incremental borrowing rate depends on relevant facts and circumstances, geographical location, and lease term duration of the lease property.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

(a) Use of estimates and judgements (continued):

Significant estimations and assumptions

The following are areas where estimates and assumptions have the most significant effect on recognition and measurement of the assets, liabilities, income, and expenses of the Corporation. Actual results may be substantially different.

Useful lives of property and equipment and intangible assets

The Corporation is required to estimate the useful lives and depreciation method for property and equipment and intangible assets. Management determines the estimated useful lives based on historical experience and the expected pattern of consumption of the future economic benefits of the asset. As this information is based on estimates and is subject to change, estimates are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

(b) Cash:

Cash includes cash and bank deposits.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is defined as average cost. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. Cost includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. The amount of inventories expensed during the year is shown as cost of sales on the statement of operations and comprehensive income.

(d) Property and equipment:

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition or construction of an asset, and costs directly attributable to bringing an asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed on an annual basis.

Derecognition

An item of property and equipment is derecognized when disposed of or when no future economic benefits are expected to arise from the continued use of the asset. A gain or loss arising on derecognition of an asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and is included in the statement of operations and comprehensive income in the year in which the item is derecognized.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

(d) Property and equipment (continued):

Subsequent costs

The Corporation recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is possible that the future economic benefits embodied with the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognized in the statement of operations and comprehensive income as expenses as incurred.

Depreciation

Depreciation of an asset begins when it is available for use. This means when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged to the statement of operations and comprehensive income on a straight-line basis over the assets' estimated useful lives after considering their estimated residual value using the following rates per annum:

Furniture, fixtures, and equipment	5 years
Automotive	4 years
Retail equipment	5 years
IT equipment	5 years
Refrigeration equipment	10 years
Leasehold improvements	1-15 years

Impairment

The carrying amounts of the Corporation's non-financial assets (property and equipment, intangible assets and right of use assets) are reviewed at the end of each year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Assets are grouped based on their CGUs which is the smallest group of assets which generate cash 'inflows' from their continuing use which are independent from cash inflows of other assets. The Corporation has defined CGUs as its retail stores.

The recoverable amount of a CGU is the greater of its value in use and its fair value less estimated costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

(d) Property and equipment (continued):

Impairment (continued)

Impairment losses recognized in prior periods are reversed if the recoverable amount in a later period exceeds the carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. At March 31, 2024, there were no indicators of impairment.

(e) Intangible assets:

Intangible assets include purchased computer software which are recorded at cost and amortized on a straight-line basis over the estimated useful life, as these assets are considered to have finite useful lives. Useful lives are reviewed at each reporting date. Computer software is amortized on a straight-line basis for 5 to 10 years. The Corporation assesses the carrying value of intangible assets for impairment on an annual basis. At March 31, 2024, there were no indicators of impairment.

(f) Leased assets:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

Leases are recognized as a ROU asset and a corresponding liability at the lease commencement date.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index (Consumer Price Index) or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured at amortized cost using the effective interest method. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Corporation's incremental borrowing rate is used. The Corporation determines its incremental borrowing rate using the Province of New Brunswick's incremental borrowing rate over the lease terms.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

(f) Leased assets (continued):

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Corporation's ROU assets are buildings which are depreciated over the lease period which ranges from 2 to 15 years.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Financial instruments:

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of a financial instrument. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

(h) Classification and measurement of financial assets:

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit and loss (“FVTPL”).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation identifies changes in its business model in managing financial assets. The Corporation currently classifies its cash and trade and other receivables as assets measured at amortized cost.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. The Corporation currently classifies trade and other payables as financial liabilities measured at amortized cost.

Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all risks and rewards of ownership and does not retain control of the financial assets. The difference between the carrying amount of the financial asset and the sum of the consideration received and receivable is recognized in income.

The Corporation derecognizes financial liability when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

(h) Classification and measurement of financial assets (continued):

Impairment of financial assets

The Corporation recognizes loss allowances for expected credit losses (“ECL”) on financial assets that are not measured at FVTPL.

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Measurement of ECL

ECL are a probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive); and
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

(i) Provisions:

A provision is recognized in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in provision due to the passage of time is recognized as an interest expense.

(j) Post-employment benefits:

Pension plan

Most employees of the Corporation are members of the New Brunswick Public Service Pension Plan, a multi-employer, shared risk pension plan. Contributions are made by both the Corporation and the employees. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. The Corporation has no direct liability to any unfunded liability, nor does it have any entitlement to any surplus, for the plan related to current or former employees. Contributions made by the Corporation during the year totaled \$638 (\$601 in 2023). Contributions made to the plan by the Corporation for 2024 are expected to approximate 11.25% of eligible salaries. In addition, some employees of the Corporation are members of the Part-Time and Seasonal Pension Plan for Employees of the Province of New Brunswick. Contributions made by the Corporation during the year to this plan totaled \$24 (\$23 in 2023).

(k) Revenue:

Revenue is measured at the fair value of consideration received or receivable. The Corporation recognizes revenue when it transfers control over a good to a customer. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Corporation recognizes revenue at the time the point of sale is made or when goods are delivered to the customers.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

3. Summary of material accounting policies (continued):

- (l) Standards and interpretations not yet applied:

A number of new standards, amendments to standards and interpretations of standards have been issued by the IASB and the IFRIC, the application of which is effective for periods beginning on or after January 1, 2024. The Corporation does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies.

Presentation and Disclosure in Financial Statements IFRS 18:

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted.

CANNABIS NB LTD.Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

4. Property and equipment:

Cost	Furniture Fixtures and Equipment	Automotive	Retail Equipment	IT Equipment	Refrigeration Equipment	Leasehold Improvements	Total
Balance at April 3, 2022	\$ 2,264	\$ 181	\$ 85	\$ 2,610	\$ 76	\$ -	\$ 5,216
Additions	101	33	43	103	-	49	329
Disposals	-	(26)	-	(4)	-	-	(30)
Balance at April 2, 2023	\$ 2,365	\$ 188	\$ 128	\$ 2,709	\$ 76	\$ 49	\$ 5,515
Balance at April 2, 2023	\$ 2,365	\$ 188	\$ 128	\$ 2,709	\$ 76	\$ 49	\$ 5,515
Additions	62	60	-	106	6	10	244
Disposals	-	(29)	-	-	-	-	(29)
Balance at March 31, 2024	\$ 2,427	\$ 219	\$ 128	\$ 2,815	\$ 82	\$ 59	\$ 5,730
Accumulated Depreciation							
Balance at April 3, 2022	\$ 1,536	\$ 70	\$ 44	\$ 1,785	\$ 17	\$ -	\$ 3,452
Depreciation	469	39	23	528	8	32	1,099
Disposals	-	(23)	-	(3)	-	-	(26)
Balance at April 2, 2023	\$ 2,005	\$ 86	\$ 67	\$ 2,310	\$ 25	\$ 32	\$ 4,525
Balance at April 2, 2023	\$ 2,005	\$ 86	\$ 67	\$ 2,310	\$ 25	\$ 32	\$ 4,525
Depreciation	281	40	22	323	7	17	690
Disposals	-	(13)	-	-	-	-	(13)
Balance at March 31, 2024	\$ 2,286	\$ 113	\$ 89	\$ 2,633	\$ 32	\$ 49	\$ 5,202
Carrying Amounts							
At April 2, 2023	\$ 360	\$ 102	\$ 61	\$ 399	\$ 51	\$ 17	\$ 990
At March 31, 2024	\$ 141	\$ 106	\$ 39	\$ 182	\$ 50	\$ 10	\$ 528

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

5. Intangible assets:

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Cost		
Opening	\$ 5,074	\$ 4,954
Additions	205	295
Loss on impairment	-	(175)
Closing	<u>5,279</u>	<u>5,074</u>
Accumulated Amortization		
Opening	2,155	1,617
Amortization	<u>535</u>	<u>538</u>
Closing	<u>2,690</u>	<u>2,155</u>
Carrying Amount	<u>\$ 2,589</u>	<u>\$ 2,919</u>

6. Right-of-use assets and lease liabilities:

The Corporation leases various retail stores and certain leases contain extension options exercisable by the Corporation. At the commencement date, the Corporation concluded that it is not reasonably certain to exercise the options to extend the leases and therefore, renewal options have not been taken into consideration for measurement of ROU assets and lease liabilities.

Right-of-use assets

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Cost		
Opening	\$ 33,111	\$ 32,638
Additions	<u>274</u>	<u>473</u>
Closing	33,385	33,111
Accumulated Depreciation		
Opening	9,108	6,714
Depreciation	<u>2,489</u>	<u>2,394</u>
Closing	<u>11,597</u>	<u>9,108</u>
Carrying Amount	<u>\$ 21,788</u>	<u>\$ 24,003</u>

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

6. Right-of-use assets and lease liabilities (continued):*Lease liabilities*

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Opening	\$ 25,609	\$ 27,276
Additions	274	473
Lease payments	(3,068)	(2,971)
Interest expense on lease liabilities	771	831
Closing	<u>\$ 23,586</u>	<u>\$ 25,609</u>
Current	\$ 2,329	\$ 2,242
Long-term	21,257	23,367
	<u>\$ 23,586</u>	<u>\$ 25,609</u>

Maturity of lease liabilities

A maturity analysis of discounted payments are as follows:

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Due within one year or less	\$ 2,329	\$ 2,242
Between one and five years	11,744	11,384
More than five years	9,513	11,983
	<u>\$ 23,586</u>	<u>\$ 25,609</u>

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

7. Changes in non-cash operating working capital:

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Trade and other receivables	\$ (295)	\$ 128
Inventories	(1,164)	(1,285)
Prepaid expenses	962	(627)
Trade and other payables	1,752	(1,338)
	<u><u>\$ 1,255</u></u>	<u><u>\$ (3,122)</u></u>

8. Sales:

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Dried Flower	\$ 47,439	\$ 43,804
Concentrates	30,236	24,901
Edibles	6,944	6,246
Accessories	3,080	2,927
Extracts	2,803	3,079
Infused Beverages	2,301	1,681
Topicals	781	703
Clones	137	6
Seeds	108	145
	<u><u>\$ 93,829</u></u>	<u><u>\$ 83,492</u></u>

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

9. Operating expenses:

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Employee costs	\$ 12,999	\$ 11,084
Depreciation and amortization	3,714	4,031
Financial services	1,802	1,586
Other	1,513	1,417
Technology	1,458	1,026
Services	1,306	1,660
Occupancy costs and supplies	1,068	1,217
	<u>\$ 23,860</u>	<u>\$ 22,021</u>

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

10. Financial risk management objectives and policies

(a) Liquidity risk:

Liquidity risk is the risk the Corporation will be unable to meet its financial obligations as they become due. The Corporation manages this risk through monitoring of future cash flows to ensure it will have sufficient cash from operations to meet these obligations. Amounts owing to ANBL are considered current liabilities and repayment is guaranteed under the terms of the agreement with CMC. The Corporation's trade and other payables are due within one year. The details of the Corporation's future lease liabilities, undiscounted, are as follows:

	March 31 2024 (52 weeks)	April 2 2023 (52 weeks)
Due within one year or less	\$ 3,034	\$ 3,011
Between one and five years	14,135	11,367
More than five years	10,111	15,687
	<u><u>\$ 27,280</u></u>	<u><u>\$ 30,065</u></u>

(b) Credit risk:

Credit risk is the risk the Corporation will incur a loss because a customer fails to meet an obligation. The Corporation's exposure is related to the value of trade and other receivables. The Corporation has mitigated the exposure to this risk through limited extension of credit and contractual relationships with business partners. Collectability may be offset with future customer sales to the Corporation.

(c) Capital management:

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value. The amount issued on incorporation is one common share to ANBL at a nominal amount. The Corporation's main objectives for managing capital is to ensure sufficient liquidity in support of its financial obligations and to make payments to CMC. ANBL is responsible for the oversight of management, including its policies related to financial and risk management issues.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended March 31, 2024

11. Contingencies:

The Corporation indemnifies its Directors and Officers against any and all claims or losses reasonably incurred in the performance of their service to the Corporation.

12. Related party transactions:

The ultimate controlling party of the Corporation is the Province of New Brunswick. Payments to the Province of New Brunswick are disclosed in the statement of changes in equity. The Corporation is related through common ownership with all provincial departments, agencies, and Crown Corporations. Transactions with these entities occur in the normal course of business and are recorded at the exchange amount unless disclosed in these financial statements. Transactions with the Province of New Brunswick are deemed to be collectively insignificant to these financial statements.

The Corporation receives services from ANBL, which are allocated to the Corporation through a shared service agreement. These services include human capital in the areas of executive management; corporate governance; property management; information technology services; strategic compliance; financial services; community and stakeholder relations, as well as the associated portion of benefits. In addition, ANBL allocates occupancy costs to the Corporation for a share of space for the Corporation's employees. These transactions are recorded on a cost recovery basis and are recognized in operating expenses as salaries-administration, employee benefits and rent. During the year ended March 31, 2024, ANBL charged the Corporation \$2,070 (\$1,494 in 2023), comprised of \$1,894 for salaries-administration (\$1,245 in 2023) and \$176 (\$249 in 2023) in rent for occupancy costs.

Trade and other payables include \$398 (\$194 in 2023) which represents the current portion of the shared services allocation as described above. The total amount outstanding is non-interest bearing, unsecured, with no set term of repayment. Amounts owing to ANBL are considered current liabilities and repayment is guaranteed under the terms of the agreement with CMC. These transactions are recorded at the amount of consideration as established and agreed to by the related parties.

Compensation of key management personnel

Members of the Board of Directors and Executive Team are considered to be key management personnel. Total compensation and benefits amounted to \$247 (\$159 in 2023).