CANNABIS NB

2022-2023

ANNUAL REPORT

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CANNABIS-NB.COM

ISSN 2562-7619
ISBN 978-1-4605-3504-2

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 2022 – 2023 annual report. As Chairman of the Board, I am accountable for achieving the specific goals and objectives, however the entire Board recognizes and upholds this accountability collectively, seriously, and with great pride.

Cannabis NB (CNB) achieved a net income of $18.3 million and total sales of $83.5 million with continued competition from the illicit market. The team's focus on customer service, expense savings, and work with our suppliers contributed to this year's results.

Aligned with the strategic pillar to inform and educate customers on cannabis, CNB launched an innovative "Good to Know" campaign, which we are proud to say made CNB a finalist for a Retail Council of Canada Excellence in Retailing award. CNB also achieved this honor in a second category for pop-up experience and design, competing with major national retail chains.

In 2022 – 2023 we set the stage to launch the private retail network with due diligence for identifying locations and adhering to federal and provincial regulations, as well as respecting the onus of responsibility for CNB as the overall accountability for the retail of legal cannabis in New Brunswick. I look forward to providing you with an update on this exciting model evolution in the future.

On behalf of the Board of Directors, I extend congratulations to the CNB team for achieving these results and most importantly, our employees contributing to our ongoing success.

Respectfully submitted,

John Correia

John Correia
Chair, Board of Directors

PRESIDENT'S MESSAGE

It's been five years since legalization, and I am so very proud of the Cannabis NB team and what has been achieved over this short time. Cannabis NB had another record year in 2022 – 2023, and continues to see growth in many areas. We celebrated our team's development and engagement, our product offerings, our retail network, as well as increased consumer awareness and education on safe products and their consumption, through the relaunch of our "Good To Know" campaign.

We demonstrated agility with the persistent growth in the number of retail outlets, and the establishment of the private retail agent program, which was well received by our industry partners and the communities of New Brunswick. In 2022 – 2023, the locations of 10 private retail stores were determined and tenders issued accordingly. Of the 10 locations, 9 were selected in 2022 – 2023, and work is now underway to support these locations to open. I look forward to sharing more information on the private retail stores in future reports. The Farmgate program grew with 2 locations opened in 2022 – 2023, and continues to provide opportunities for local licensed producers to educate customers about their company and the products made at their facility.

For Cannabis NB, fiscal year 2022 – 2023 was a true success. The financial results are detailed in the following pages and reflect Cannabis NB's dedication and engagement to providing stellar customer service and a unique retail experience.

The results of the engagement scores of our Cannabis NB team remain strong and best in class. This engagement benefits our customers and partners and is pivotal to the culture that is now the hallmark for Cannabis NB's success.

In 2022 – 2023, Cannabis NB established a three-year strategic plan focused on growth, without losing sight of one of our most fundamental objectives: to ensure the thriving cannabis industry in New Brunswick is safe and responsible. We uphold the importance of the safety and mental well-being of the team, as well as the safety of our customers. Our progression in all facets of the business will contribute to New Brunswick's economy and will inspire the Cannabis NB team to continue to be leaders in this exciting industry. On behalf of the entire Cannabis NB team, I want to thank our partners and stakeholders, our Board of Directors, and Cannabis Management Corporation and the Province for their support.

Lori Stickles
President & CEO

EXECUTIVE MANAGEMENT

**As of April 2, 2023*

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)

Patti Douglass
Chief Executive Assistant

BOARD OF DIRECTORS

**As of April 2, 2023*

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 Stickles
President & CEO

Andrea Dewitt
Secretary

STRATEGIC FOUNDATION

Fiscal 2022 – 2023 was a historic year for Cannabis NB as the first three-year strategic plan was finalized and published. This gave CNB a strong foundation to work upon and a clear vision as we move forward.

Cannabis NB's future is built on an unwavering commitment to customer experience, education, and responsibility. Cannabis NB believes these things cannot be delivered effectively without a truly aligned, passionate, and engaged team committed to delivering results to our stakeholders and communities. This foundation is what Cannabis NB's mission, vision, and values are built on.

VISION

Our new vision statement: "We provide the most innovative cannabis experience that offers choices communities can trust," was developed to better reflect who we are and what we provide for New Brunswickers.

MODEL EVOLUTION

We tendered and selected 9 private retail locations throughout the province, which will further our objective of access to legal product for New Brunswickers. We also added 2 new Farmgate partners this past year, and now have 5 locations open to date.

VALUES

We updated our core values to **engage, inform, inspire,** and **challenge** to keep us aligned with our safety and education mandate while maintaining our strong entrepreneurial approach.

ENGAGE

It is important our team is engaged and cares about the business and where it is going. This makes them passionate about what they do every day, and in turn, engages our customers effectively and authentically.

INFORM

Information and education will always remain core values, both for our team and our customers. Every customer has specific needs, experience, and expectations. Cannabis NB will always ensure our team has the information they need to provide our customers with the right experience.

INSPIRE

We make a point of learning and understanding our customers' expectations and evolving our offering and information customized to individual customer needs. Our team strives to make a connection with our customers, get them excited about what the legal industry has to offer, and make them advocates for a positive and safe cannabis experience.

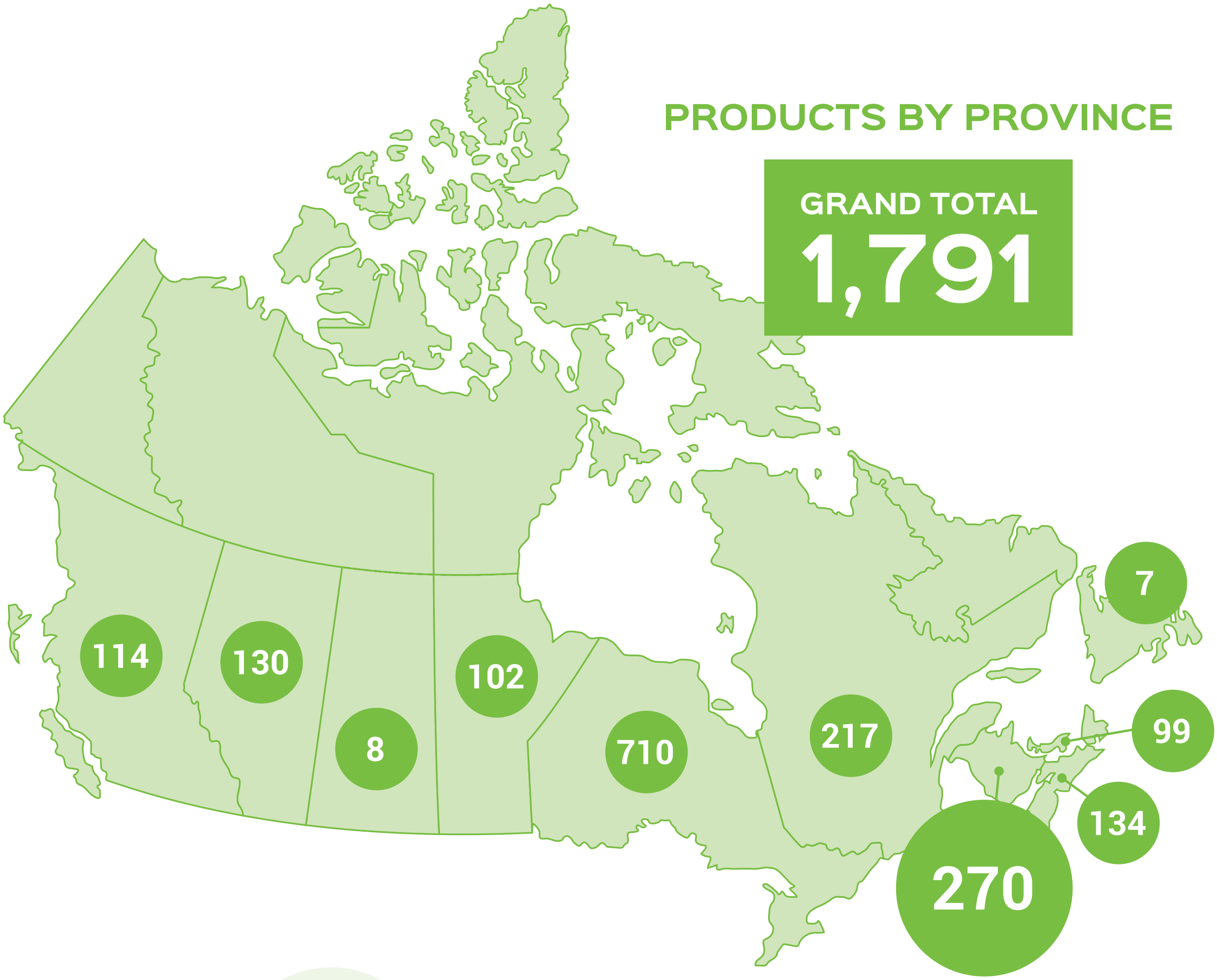
CHALLENGE

We will hold each other accountable to a higher standard of excelling in every interaction with co-workers, customers, vendors, partners, and stakeholders. Asking questions and challenging each other to do better; always being prepared to step up and ask the difficult questions to ensure everyone is held accountable for great results and experiences.

CANNABIS NB BY THE NUMBERS

PRODUCTS BY PROVINCE

GRAND TOTAL
1,791



OUR EMPLOYEES

18	108	109	TOTAL
NON-CUSTOMER FACING EMPLOYEES	CUSTOMER FACING (FULL-TIME/PART-TIME) EMPLOYEES	CUSTOMER FACING OCCASIONALS	235

**Employment #s reflect active employees and employees on leave as at April 2, 2023.*

PRODUCTS FROM NEW BRUNSWICK

GRAND TOTAL 270

65 WHOLE BUDS

18 MISCELLANEOUS

4 BEVERAGE CONTAINER

42 PRE ROLLS

15 APPAREL

4 CAPSULES

42 EDIBLES

8 VAPE BATTERIES

3 DRY MIX

29 CONCENTRATES

6 MILLED

2 INFUSED EDIBLE OIL

24 TOPICALS

6 CLONES

2 SEEDS

RETURN TO PROVINCE OF NB

** 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.*

$16.5M

FINANCIAL POSITION OVERVIEW

The information below provides an overview of CNB's financial position for the year ended April 2, 2023, 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 year-ended April 2, 2023, was a 52-week year. The prior fiscal year (year ended April 2, 2022) was a 53-week year.

CNB achieved a *Net Income* of $18.3 million, missing budget by $2.2 million. *Total Sales* remained consistent with prior year; however, 2022 – 2023 budget targets were missed by 15% ($14.6 million). The shortfall stemmed from lower than budgeted sales in the Dried Flowers ($10.1 million), Extracts ($3.3 million), Accessories ($3.0 million) and Concentrates ($1.1 million) categories, driven by continued competition from the illicit market across the province. Once open, CNB's private retail channel (PRC) sales are expected to help drive customers to the legal market by having more convenient access to regulated products. The Edibles and Topicals categories met their targets, exceeding them by $2.8 million and $0.2 million, respectively.

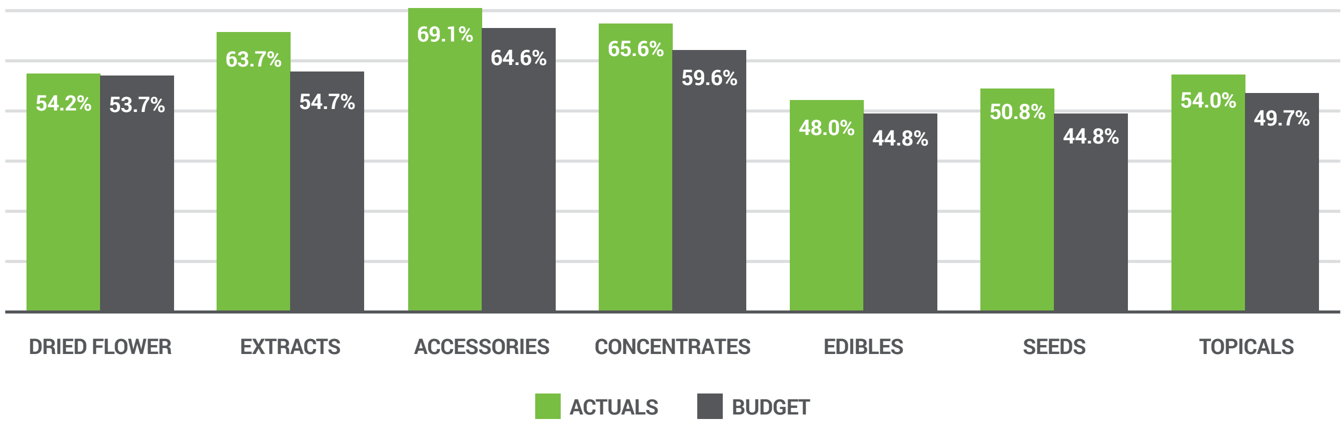
In-store sales saw the average annual ticket decline to $56.38 from the prior year's $59.63. While the average ticket declined, transactions for the fiscal reached 3.5 million, versus 3.3 million the prior year.

The impact of the sales shortfall on net income was partially mitigated by a favourable cost of goods sold variance and continued improvement of contribution margins across most categories. Also offsetting the sales shortfall was total expense savings of $1.2 million, driven by *Salaries and Benefits* realigning staffing requirements to actual sales.

Gross profit targets were exceeded for all product categories.

GROSS PROFIT %

ACTUALS to BUDGET



MARKETING AND PROMOTION

CNB marketing initiatives evolved significantly in this fiscal year. New avenues to reach new consumer audiences were explored, expansion opportunities were supported, social media was increased, and content was enhanced to improve the customer experience both in-store and digitally.

CNB undertook the development of a new branding approach for store expansion models, including new pop-up stores and seasonal locations. The objective was to ensure that these new locations were differentiated, but still recognizable as CNB storefronts. The CNB Waterfront Container Village location design was a huge milestone for CNB in establishing a seasonal brand for stores. Other marketing tools were also created to help identify new CNB locations and included pylon signs, exterior POS, digital billboards, among others.

To educate and reach new audiences, CNB launched a refreshed version of its Good to Know campaign, which focused on the dangers of illegal cannabis products in New Brunswick, and shared facts about what consumers are really getting when they shop illegal stores. This year, the campaign included a free online course, and eye catching, humorous creative, to help customers understand the risks of illicit products. The campaign promoted the fact that any product not sold by Cannabis NB or one if its certified retail partners in New Brunswick is not tested or regulated, nor are illegal vendors held accountable for the claims made about their products.

CNB continued to refine merchandise and marketing program offerings to licensed producer partners. The addition of education programs and a new merchandise guide pricing strategy contributed to increased revenue for the merchandise marketing sector, as it made the available space more affordable, inviting new licensed producers the opportunity to participate.

CNB also worked to improve the online customer experience by adding enhanced functionality to the website to improve ease of use, and increasing use of social media for both product promotion, brand development, and education. The digital newsletter was also refined to better serve customers as the membership increased.

Digital marketing tools have proved valuable for Cannabis NB to promote and build the brand while adhering to strict industry advertising regulations.

ONLINE

4,735,937
PAGE VIEWS

605,545
USERS

145,551
RETURNING

SOCIAL

5,739
FOLLOWERS
+8.9%

177,750
IMPRESSIONS
+144.1%

7.5%
ENGAGEMENT RATE
-18.4%

EMAIL

33,348
EMAIL SUBSCRIBERS
+6.45%

6.67%
CLICK THROUGH OPEN RATE

1,700,352
SENT EMAILS

24%
OPEN RATE

■ Seen here are some CNB leadership team members of stores who received an award during the Leadership Conference along with members of the Board of Directors.

CATEGORY MANAGEMENT

Over the past year, the expansion of new and innovative products has continued in the Canadian cannabis industry, and Cannabis NB's portfolio has continued to grow and diversify. The latest addition of clones has helped us reach a unique new audience and helped to combat the illegal market. This strong portfolio has contributed to another successful iteration of the Cannabis NB Cup and the Holiday Countdown Calendar, which created added value for customers and also contributed to drawing customers away from the illegal market.

Education remains a top priority, and Cannabis NB has launched several new initiatives that have created a synergy between product onboarding and the retail network. This ensures the team stays current in the fast-evolving industry, and customers receive the most up-to-date product information and insights in conjunction with safe consumption information.

Cannabis NB works closely with supplier partners to leverage the product knowledge and training platform, which allows the customer facing team to learn about all new products. Cannabis NB has also built stronger relationships with vendors through events like Cannabis East.

PERFORMANCE CULTURE

Hiring and Recruitment

In the past year, most retailers have experienced hiring challenges and lack of availability of candidates. The HR team has responded to this by streamlining the recruitment process with the addition of a Recruitment Specialist, improving the candidate experience and decreasing the time to hire, which is very important in the current competitive labour market. Cannabis NB added 88 new team members this year and had 15 internal promotions. The team is continually looking at ways to improve processes to fill vital roles with high quality candidates.

Employee Engagement

CNB conducted an Employee Engagement Survey in January 2023. The overall engagement score was 4.42, once again earning CNB a nomination for a Gallup Exceptional Workplace Award. Store teams also conducted "State of the Team" meetings and will continue to focus on employee engagement.

Team Development

CNB 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 performance. The Category team continued to host information sessions with the retail team to build a strong business understanding. The commitment in this area has developed team members who are true business owners and are invested in the overall success of the business.

INFORMATION TECHNOLOGY

The Information Technology (IT) team made excellent progress on many IT related initiatives to support business objectives in 2022 – 2023, while delivering high value and quality services, including supporting CNB's Model Evolution with the setup of five new store locations throughout the province, supporting the Cannabis East consumer-focused event in Moncton, and assisting with the establishment of the Private Retail Channel (PRC).

Continuous improvement was achieved through the definition and establishment of metrics for IT applications and services, in support of business objectives. Efforts will be maintained to modernize several of the systems, applications, and services by leveraging effective IT solutions, where appropriate, while making processes, systems, and teams more efficient and effective for customers.

This past year was a year of growth within the IT organization, as the team was scaled to align strategies, improve partnerships, and deliver IT services in a more coordinated way.

OPERATIONS/ FACILITIES

Cannabis NB opened 5 stores last fiscal, in Woodstock, Grand Falls, Riverview, Moncton, and Saint John. All were opened with flexible lease terms to ensure locations chosen were optimized. All 5 stores contributed positively to the province and delivered on the key objective of increasing safe access to legal cannabis.

Cannabis NB also opened a seasonal pop-up store in Saint John in the Area 506 container village. The store was 320 square feet and was a first in Canada for pop-up cannabis stores. The store was a finalist for the Retail Council of Canada Excellence in Retailing awards for best pop-up design.

CUSTOMER SERVICE AWARDS

Celebrating the team's contribution to every one of CNB'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.

BUDS OF THE YEAR
2022 – 2023

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 team members that live and breathe the Cannabis NB brand, exemplify our team rules, vision, and dedicate every single day to achieve greatness through our strategic pillars.

SALES TO BUDGET
Rothesay: 108.58% of Sales Budget

SAFETY OF PRODUCT
Rothesay: Shrink of 0.009123% of Sales

SALES VS LAST YEAR
Rothesay: 11.5% Year over Year Sales increase

TOP POP-UP
Riverview: 183.3% of Sales Budget

TICKET EXCELLENCE
Edmundston: $74.39 Ticket Average

TICKET GROWTH EXCELLENCE
Edmundston: $1.24 Ticket Growth Year over Year

BASKET EXCELLENCE
Edmundston: 3.09 Average Basket

BASKET GROWTH EXCELLENCE
Edmundston: 8.4% Increase in Basket Year over Year

OPERATIONAL EXCELLENCE
Sackville: 95% Score on Operational Scorecard

JAKOB KNORR
MONCTON – WYSE ST.

JENNIFER BURNS
MONCTON – MAIN ST.

SÉBASTIEN GIONET
DIEPPE

MELISSA ARSENEAULT
SHEDIAC

KEVIN SCOTT
SACKVILLE

ANGELA COMEAU
TRACADIE

ALEC MAILLET-HAYDOCK
RICHIBUCTO

TRANG VO
MIRAMICHI

JOEL LEGACY
BATHURST

ANDREW WALLACE
SAINT JOHN – LANSDOWNE DR.

MATTHEW MACKENZIE
SAINT JOHN – ROTHESAY AVE.

MATTHEW BELANGER
ROTHESAY

JACOB TOPS
SUSSEX

GARETH WILLINGHAM
ST. STEPHEN

TIBOR PECE
FREDERICTON – BROOKSIDE DR.

MARK SIBLEY
FREDERICTON – WOODSIDE LN.

DALE DELUCRY
OROMOCTO

TIM MCNALLY
PERTH-ANDOVER

PIERRE-MICHEL CARON
EDMUNDSTON

LUCAS LOISEL
CAMPBELLTON

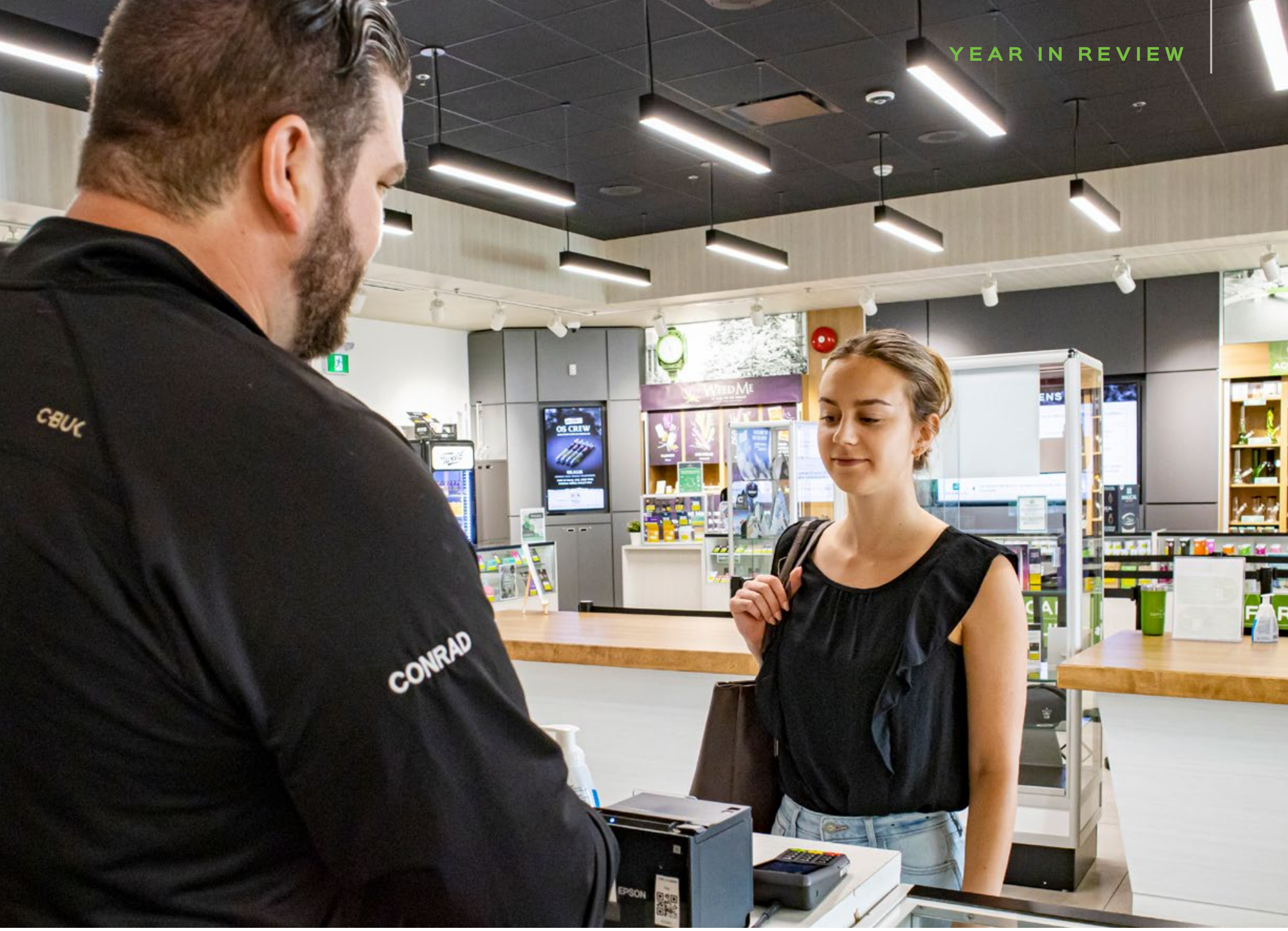
TAMARA ANDERSON
WOODSTOCK

MANON GODBOUT
SAINT JOHN – FAIRVILLE BLVD

CRYSTAL OUELLETTE
GRAND FALLS

HANNAH UNGER
RIVERVIEW

SARAH STARR
MONCTON – GRANITE DR.



CUSTOMER EXPERIENCE AND SATISFACTION

Cannabis NB has an engaged, well-trained, and well-informed team who strive to provide a safe, positive experience to every visitor. They offer a customized interaction appropriate for each customer, and ensure they always provide value.

Cannabis NB provides customers with an opportunity to give feedback about this experience through a receipt survey that is open to everyone. For 2022 – 2023, over 14,000 responses were received, and results were positive on all key questions.

“How comfortable was your experience at Cannabis NB?”

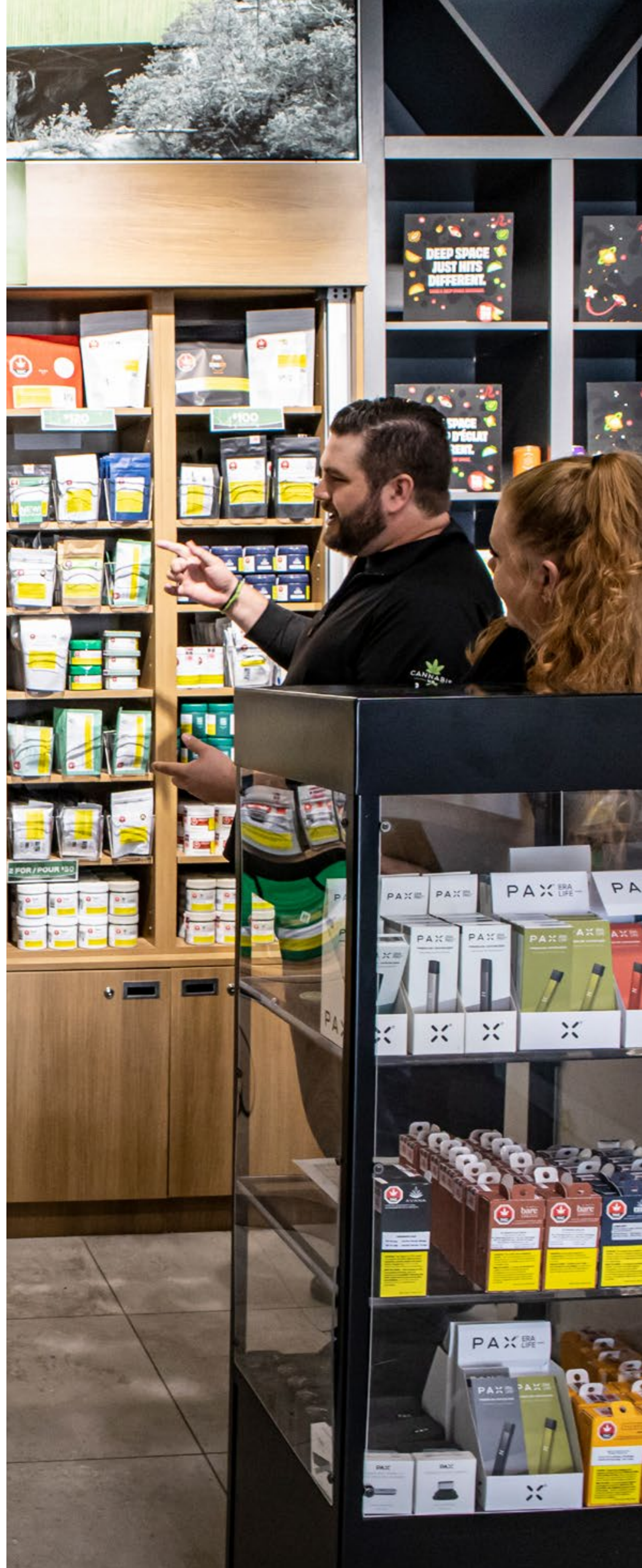
98.79% of respondents answered either **comfortable** or **very comfortable.**

“I felt my Guide understood my needs”

99.29% of respondents answered with **yes.**

“I felt my safety was a priority”

98.60% of respondents answered with **yes.**



GOVERNANCE

Report on the *Official Languages Act*

There were four language complaints received in the 2022 – 2023 fiscal year. Cannabis NB worked with the Office of the Commissioner of Official Languages for New Brunswick to determine appropriate solutions, and all complaints have been resolved.

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 complaints filed during the 2022 – 2023 fiscal year pursuant to the policy.

Right to Information and Protection of Privacy Act

During the fiscal 2022 – 2023 year, there were three requests received under the *Right to Information and Protection of Privacy Act.* One request was withdrawn and the remaining two were answered and closed during the fiscal year.

STORE NETWORK

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

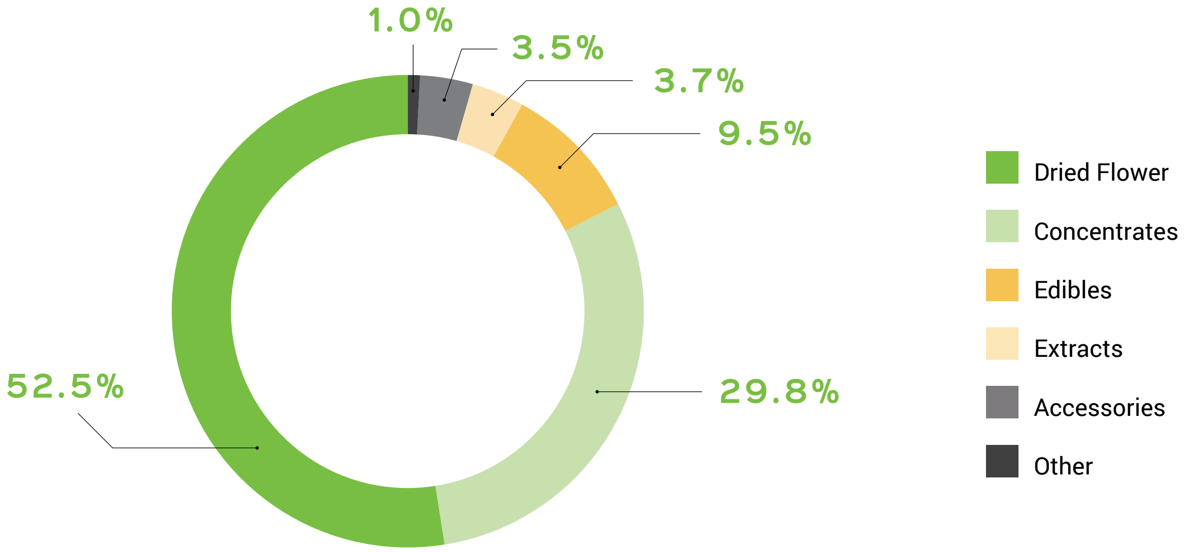
30 LOCATIONS throughout New Brunswick

FarmGate Locations

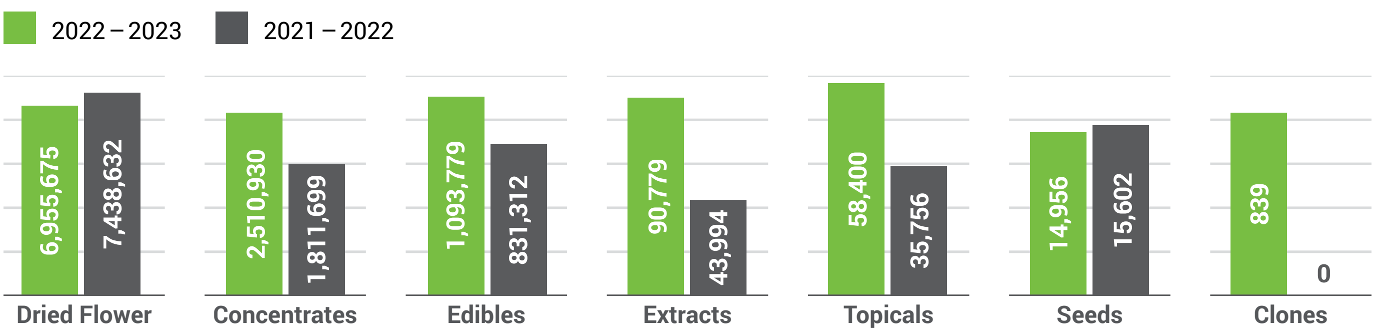
* AS OF APRIL 2, 2023

26 | Crystal Cure, Shediac Cape
27 | Eco Canadian Organic Inc., Rexton
28 | Sana'a Cannabis, Miramichi
29 | Hidden Harvest, Lakeville
30 | Stewart Farms, St. Stephen

SALES BY PRODUCT CATEGORY (%)

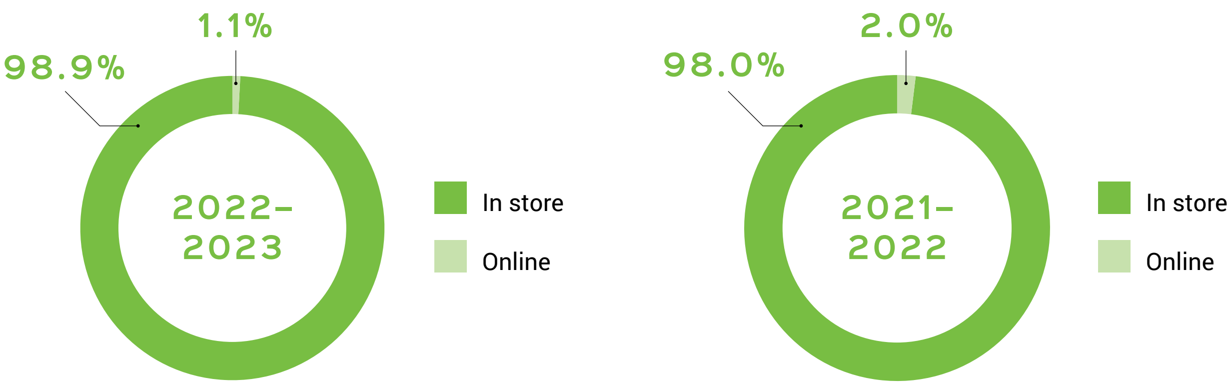


SALES IN VOLUME (DRIED FLOWER EQUIVALENT*)



Product categories are converted from their individual units of measure to a dried flower equivalent to enable a comparable view of category volume sales.
***Excludes the sale of non-cannabis containing products (accessories).*

PERCENTAGE SALES



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.

Lori Stickles
PRESIDENT AND CEO

Jamie LeBlanc
VICE PRESIDENT AND CFO

KPMG LLP
Frederick Square
77 Westmorland Street, Suite 700
Fredericton NB E3B 6Z3
Canada
Tel 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 April 2, 2023
- the statement of operations and comprehensive income for the 52-week period then ended
- the statement of changes in equity for the 52-week period then ended
- the statement of cash flows for the 52-week period then ended
- and notes to the financial statements, including a summary of significant accounting policies

(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 April 2, 2023, and its financial performance and its cash flows for the 52-week period then ended in accordance with International Financial Reporting Standards (IFRS).

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.

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 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.

KPMG LLP

Chartered Professional Accountants

Fredericton, Canada

June 22, 2023

CANNABIS NB LTD.

Statement of Financial Position
(In thousands)

April 2, 2023, with comparative information for April 3, 2022

	April 2 2023	April 3 2022
Assets		
Current Assets		
Cash	$ 855	$ 737
Trade and other receivables	18	146
Inventories	10,163	8,878
Prepaid expenses	1,758	1,131
	12,794	10,892
Non Current Assets		
Property and equipment (note 4)	990	1,764
Intangible assets (note 5)	2,919	3,337
Right-of-use assets (note 6)	24,003	25,924
	27,912	31,025
Total Assets	**$ 40,706**	**$ 41,917**
Liabilities		
Current Liabilities		
Trade and other payables	$ 4,107	$ 5,445
Lease liabilities due within one year (note 6)	2,242	1,986
	6,349	7,431
Non Current Liabilities		
Long-term lease liabilities (note 6)	23,367	25,290
Total Liabilities	29,716	32,721
Equity of the Province of New Brunswick		
Equity	10,990	9,196
Total Liabilities and Equity	**$ 40,706**	**$ 41,917**

Commitments and Contingencies (notes 11 and 12)

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANNABIS NB LTD.

Statement of Operations and Comprehensive Income
(In thousands)

52 weeks ended April 2, 2023, with comparative information for the 53 weeks ended April 3, 2022

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Total sales (note 8)	$ 83,492	$ 83,828
Less: discounts	7,192	9,480
Net sales	76,300	74,348
Cost of sales	36,693	39,224
Gross profit	39,607	35,124
Other income	738	862
	40,345	35,986
Operating expenses (note 9)	22,021	19,466
Net income and comprehensive income	**$ 18,324**	**$ 16,520**

See accompanying notes to financial statements.

CANNABIS NB LTD.

Statement of Changes in Equity
(In thousands)

52 weeks ended April 2, 2023, with comparative information for the 53 weeks ended April 3, 2022

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Balance at beginning of year	$ 9,196	$ (6,213)
Net income and comprehensive income	18,324	16,520
Payments to the Province of New Brunswick	(16,530)	(1,111)
Balance at end of the year	**$ 10,990**	**$ 9,196**

See accompanying notes to financial statements.

CANNABIS NB LTD.

Statement of Cash Flows
(In thousands)

52 weeks ended April 2, 2023, with comparative information for the 53 weeks ended April 3, 2022

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Operating		
Net income and comprehensive income	$ 18,324	$ 16,520
Items not involving cash:		
Depreciation	3,493	3,279
Amortization of intangible assets	538	500
Loss on impairement of intangibles	175	-
Lease liabilities - interest portion (note 6)	831	885
Change in non-cash working capital (note 7)	(3,122)	(1,606)
Cash generated from operations	20,239	19,578
Investing		
Additions to property and equipment	(329)	(144)
Additions to intangible assets	(295)	(9)
Proceeds from sale of property and equipment	4	25
Net cash used for investing activities	(620)	(128)
Financing		
Repayments of due to New Brunswick Liquor Corporation	-	(15,488)
Lease payments (note 6)	(2,971)	(2,809)
Payments to the Province of New Brunswick	(16,530)	(1,111)
Net cash used for financing activities	(19,501)	(19,408)
Increase in cash	118	42
Cash at beginning of year	737	695
Cash at end of year	**$ 855**	**$ 737**

See accompanying notes to financial statements.

CANNABIS NB LTD.

Notes to Financial Statements
(In thousands)

52 weeks ended April 2, 2023

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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 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements for the year ended April 2, 2023, were approved, and authorized for issue by the Board of Directors on June 22, 2023.

(b) Fiscal year:

The Corporation's fiscal year ends on the Sunday closest to March 31. All references to 2023 and 2022 represent the fiscal years ended April 2, 2023, and April 3, 2022, 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 April 2, 2023, contained 52 weeks and the year ended April 3, 2022, contained 53 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.

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

52 weeks ended April 2, 2023

3. Summary of significant 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.

<u>Significant management judgements</u>

The following are significant management judgements in applying the accounting policies of the Corporation that have the most significant 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 April 2, 2023

3. Summary of significant 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 April 2, 2023

3. **Summary of significant 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 April 2, 2023

3. Summary of significant 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 April 2, 2023, there was 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. The Corporation assesses the carrying value of intangible assets for impairment on an annual basis. At April 2, 2023, there was impairment of $175 recorded. Computer software is amortized on a straight-line basis over 10 years.

(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 April 2, 2023

3. Summary of significant 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 15 years depending on the lease period.

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 April 2, 2023

3. Summary of significant 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 April 2, 2023

3. Summary of significant 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 April 2, 2023

3. Summary of significant 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 $601 ($586 in 2022). Contributions made to the plan by the Corporation for 2024 are expected to approximate 12% of eligible salaries. In addition, some employees of the Corporation are members of the Part-Time & Seasonal Pension Plan for Employees of the Province of New Brunswick. Contributions made by the Corporation during the year to this plan totaled $23 ($18 in 2022).

(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.

(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, 2023. The Corporation does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies.

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended April 2, 2023

4. Property and equipment:

	Furniture Fixtures and Equipment	Automotive	Retail Equipment	IT Equipment	Refrigeration Equipment	Leasehold Improvements	Total
Cost							
Balance at March 28, 2021	$ 2,323	$ 67	$ 73	$ 2,610	$ 76	$ -	$ 5,149
Additions	18	114	12	-	-	-	144
Disposals	(77)	-	-	-	-	-	(77)
Balance at April 3, 2022	$ 2,264	$ 181	$ 85	$ 2,610	$ 76	$ -	$ 5,216
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
Accumulated Depreciation							
Balance at March 28, 2021	$ 1,120	$ 44	$ 30	$ 1,260	$ 9	$ -	$ 2,463
Depreciation	468	26	14	525	8	-	1,041
Disposals	(52)	-	-	-	-	-	(52)
Balance at April 3, 2022	$ 1,536	$ 70	$ 44	$ 1,785	$ 17	$ -	$ 3,452
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
Carrying Amounts							
At April 3, 2022	$ 728	$ 111	$ 41	$ 825	$ 59	$ -	$ 1,764
At April 2, 2023	$ 360	$ 102	$ 61	$ 399	$ 51	$ 17	$ 990

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

52 weeks ended April 2, 2023

5. Intangible assets:

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Cost		
Opening	$ 4,954	$ 4,945
Additions	295	9
Loss on impairment	(175)	-
Closing	5,074	4,954
Accumulated Amortization		
Opening	1,617	1,117
Amortization	538	500
Closing	2,155	1,617
Carrying Amount	**$ 2,919**	**$ 3,337**

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

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Cost		
Opening	$ 32,638	$ 32,638
Additions	473	-
Closing	33,111	32,638
Accumulated Depreciation		
Opening	6,714	4,476
Depreciation	2,394	2,238
Closing	9,108	6,714
Carrying Amount	**$ 24,003**	**$ 25,924**

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended April 2, 2023

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

Lease liabilities

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Opening	$ 27,276	$ 29,200
Additions	473	-
Lease payments	(2,971)	(2,809)
Interest expense on lease liabilities	831	885
Closing	**$ 25,609**	**$ 27,276**
Current	$ 2,242	$ 1,986
Long-term	23,367	25,290
	$ 25,609	**$ 27,276**

Maturity of lease liabilities

A maturity analysis of discounted payments are as follows:

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Due within one year or less	$ 2,242	$ 1,986
Between one and five years	11,384	10,913
More than five years	11,983	14,377
	$ 25,609	**$ 27,276**

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

52 weeks ended April 2, 2023

7. Changes in non-cash operating working capital:

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Trade and other receivables	$ 128	$ 167
Inventories	(1,285)	(1,458)
Prepaid expenses	(627)	(283)
Trade and other payables	(1,338)	(32)
	$ (3,122)	**$ (1,606)**

8. Sales:

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Dried Flower	$ 43,804	$ 49,406
Concentrates	24,901	20,705
Edibles	7,927	6,316
Extracts	3,079	3,800
Accessories	2,927	3,036
Topicals	703	415
Seeds	145	150
Clones	6	-
	$ 83,492	**$ 83,828**

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended April 2, 2023

9. Operating expenses:

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Employee costs	$ 11,084	$ 9,652
Depreciation and amortization	4,031	3,779
Services	1,660	1,480
Financial services	1,586	1,477
Other	1,417	1,211
Occupancy costs and supplies	1,217	972
Technology	1,026	895
	$ 22,021	**$ 19,466**

CANNABIS NB LTD.

Notes to Financial Statements (continued)
(In thousands)

52 weeks ended April 2, 2023

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:

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Due within one year or less	$ 3,011	$ 2,810
Between one and five years	11,367	14,048
More than five years	15,687	15,687
	$ 30,065	**$ 32,545**

(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 April 2, 2023

11. Commitments:

The Corporation has contractual commitments for call centre services which expire in October 2023. The table below outlines the commitments as at April 2, 2023.

	April 2 2023 (52 weeks)	April 3 2022 (53 weeks)
Due within one year or less	$ 533	$ 914
Between one and five years	-	533
	$ 533	**$ 1,447**

12. 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.

13. 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.

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 April 2, 2023, ANBL charged the Corporation $1,494 ($1,024 in 2022), comprised of $1,245 for salaries-administration ($912 in 2022) and $249 ($112 in 2022) in rent for occupancy costs.

ANBL provided financing to fund its operations. Trade and other payables include $194 ($107 in 2022) 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.

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

52 weeks ended April 2, 2023

13. Related party transactions (continued):

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 $159 ($143 in 2022).