

**MEDIPHARM LABS CORP.  
CONDENSED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
FOR THE THREE MONTHS ENDED  
MARCH 31, 2022 and 2021**

**CONTENTS OF CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS (Unaudited)  
AT MARCH 31, 2022**

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## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at March 31, 2022 and December 31, 2021

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	March 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		28,273	34,110
Trade and other receivables	5	14,860	16,918
Other assets		2,354	2,633
Inventories	6	11,887	10,976
Assets held for sale		926	910
<b>Total current assets</b>		<b>58,300</b>	<b>65,547</b>
<b>Non-current assets:</b>			
Property, plant and equipment	7	25,364	25,894
Intangibles	7.2	43	44
Non-current deposits		750	753
Tax receivable		123	123
<b>Total non-current assets</b>		<b>26,280</b>	<b>26,814</b>
<b>Total assets</b>		<b>84,580</b>	<b>92,361</b>

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at March 31, 2022 and December 31, 2021

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	March 31, 2022	December 31, 2021
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Trade and other payables	10	6,182	6,213
Current employee benefit obligations		1,847	2,548
Lease liabilities	8	69	113
Deferred income		6	3
<b>Total current liabilities</b>		<b>8,104</b>	<b>8,877</b>
<b>Non-current liabilities:</b>			
Lease liabilities	8	87	103
Deferred income		233	233
Warrant derivative liability		1	2
<b>Total non-current liabilities</b>		<b>321</b>	<b>338</b>
<b>Total liabilities</b>		<b>8,425</b>	<b>9,215</b>
<b>Equity:</b>			
Common shares	11	190,634	190,550
Reserves		22,566	21,909
Accumulated other comprehensive (loss)		(245)	30
Accumulated deficit		(136,800)	(129,343)
<b>Total equity</b>		<b>76,155</b>	<b>83,146</b>
<b>Total liabilities and equity</b>		<b>84,580</b>	<b>92,361</b>
Commitments and contingencies	9		
Subsequent events	18		

Approved on behalf of the Board of Directors of MediPharm Labs Corp.:

/s/ "David Pidduck"  
David Pidduck  
Director

/s/ "Chris Taves"  
Chris Taves  
Director

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

**MEDIPHARM LABS CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS****For the three months ended March 31, 2022 and 2021**

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	Three months ended March 31, 2022	March 31, 2021
Revenue	12	4,877	5,495
Cost of sales		(5,280)	(6,175)
<b>Gross profit</b>		<b>(403)</b>	<b>(680)</b>
General administrative expenses		(4,886)	(4,001)
Marketing and selling expenses		(1,493)	(1,278)
Research and development expenses		(300)	(352)
Share based compensation expense		(741)	(880)
Other operating income/(expenses)		319	(724)
<b>Operating loss</b>		<b>(7,504)</b>	<b>(7,915)</b>
Finance income		48	57
Finance expense		(2)	(9,729)
Unrealized gain in revaluation of derivative liabilities		1	3,720
<b>Loss before taxation</b>		<b>(7,457)</b>	<b>(13,867)</b>
<b>Net loss for the period</b>		<b>(7,457)</b>	<b>(13,867)</b>
Basic and diluted loss per share		<b>(0.03)</b>	<b>(0.07)</b>

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

**MEDIPHARM LABS CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****For the three months ended March 31, 2022 and 2021**

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	<b>Three months ended</b>	
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
<b>Net loss for the period</b>	<b>(7,457)</b>	<b>(13,867)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(275)	308
<b>Total comprehensive loss for the period</b>	<b>(7,732)</b>	<b>(13,559)</b>

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2022 and 2021

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	<u>Common Shares</u>		<u>Reserves</u>						
	Number (post stock split)	Share capital	Share-based payments	Non-controlling interest acquisition reserve	Warrant Reserve	Accumulated other comprehensive	Accumulated deficit	Non-controlling interest	Total
<b>Balance at January 1, 2021</b>	<b>155,550,487</b>	<b>138,508</b>	<b>19,174</b>	<b>(4,323)</b>	<b>-</b>	<b>(403)</b>	<b>(74,542)</b>	<b>-</b>	<b>78,414</b>
Share conversion of convertible loan	44,897,272	21,914	-	-	-	-	-	-	21,914
Shares issued under bought deal	57,500,000	27,888	-	-	5,462	-	-	-	33,350
Share issuance cost	-	(1,876)	-	-	(367)	-	-	-	(2,243)
Shares issued on exercise of stock options	-	-	-	-	-	-	-	-	-
Shares issued on exercise of warrants	-	-	-	-	-	-	-	-	-
Share based compensation	-	-	880	-	-	-	-	-	880
Foreign exchange translation	-	-	-	-	-	308	-	-	308
Net loss for the period	-	-	-	-	-	-	(13,867)	-	(13,867)
<b>Balance at March 31, 2021</b>	<b>257,947,759</b>	<b>186,434</b>	<b>20,054</b>	<b>(4,323)</b>	<b>5,095</b>	<b>(95)</b>	<b>(88,409)</b>	<b>-</b>	<b>118,756</b>
<b>Balance at January 1, 2022</b>	<b>273,537,190</b>	<b>190,550</b>	<b>21,137</b>	<b>(4,323)</b>	<b>5,095</b>	<b>30</b>	<b>(129,343)</b>	<b>-</b>	<b>83,146</b>
Shares issued on exercise of stock options/RSUs	401,785	84	(84)	-	-	-	-	-	-
Share based compensation	-	-	741	-	-	-	-	-	741
Foreign exchange translation	-	-	-	-	-	(275)	-	-	(275)
Net loss for the period	-	-	-	-	-	-	(7,457)	-	(7,457)
<b>Balance at March 31, 2022</b>	<b>273,938,975</b>	<b>190,634</b>	<b>21,794</b>	<b>(4,323)</b>	<b>5,095</b>	<b>(245)</b>	<b>(136,800)</b>	<b>-</b>	<b>76,155</b>

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

#### For the three months ended March 31, 2022 and 2021

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

		Three months ended March 31, 2022	March 31, 2021
	Notes		
<b>Cash flows from operating activities:</b>			
Net loss for the period		(7,457)	(13,867)
<b>Adjustments for:</b>			
Depreciation and Amortization	7	819	876
Loss on sale of fixed asset		-	60
Finance income and finance expense		(46)	9,672
Unrealized gain in revaluation of derivative liabilities		(1)	(3,720)
Unrealized foreign exchange difference		(316)	632
Deferred income		(1)	-
Share based compensation		741	880
		<b>(6,261)</b>	<b>(5,467)</b>
Change in trade and other receivables	5	2,058	1,872
Change in inventories	6	(911)	(2,014)
Change in other assets		258	2,250
Change in trade and other payables	10	(45)	(2,567)
Change in other current liabilities		(701)	(49)
<b>Net cash (used in)/provided by operating activities</b>		<b>(5,602)</b>	<b>(5,975)</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	7	(144)	(278)
Proceeds from sale of fixed assets		-	122
<b>Net cash used in investing activities</b>		<b>(144)</b>	<b>(156)</b>
<b>Cash flows from financing activities:</b>			
Repayment of loans and borrowings	8	-	(2,630)
Proceeds from issuance of shares and warrants, net of costs		-	31,107
Interest received		48	57
Payment of lease liabilities		(62)	(95)
<b>Net cash provided by financing activities</b>		<b>(14)</b>	<b>28,439</b>
<b>Effects of exchange rate changes</b>		<b>(77)</b>	<b>(97)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(5,837)</b>	<b>22,211</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>34,110</b>	<b>19,913</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>28,273</b>	<b>42,124</b>

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.



# MEDIPHARM LABS CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

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#### NOTE 1 - NATURE OF OPERATIONS

MediPharm Labs Corp. (the “Company”) was incorporated under the Business Corporations Act (Ontario) on January 23, 2017 as “POCML 4 Inc.” pursuant to the policies of the TSX Venture Exchange. Subsequent to a reverse takeover transaction, the common shares in the capital of the Company (the “Common Shares”) began trading on the TSX Venture Exchange on October 4, 2018 under the trading symbol “LABS”. On July 29, 2019, the Common Shares were voluntarily delisted from the TSX Venture Exchange and began trading on the Toronto Stock Exchange under the symbol “LABS”.

The Company and its subsidiaries (together referred to as the “Group”) produces purified, pharmaceutical-like cannabis extracts and related derivative products and its operating subsidiaries are the holders of a standard processing licence and a research licence under the *Cannabis Act* (Canada) (the “**Canadian Licences**”), and a manufacturing licence under the *Australian Narcotics Drug Act 1967* authorizing the manufacture and supply of certain limited cannabis products (the “**Australian Licence**”). The Canadian Licences allow for the sale and distribution of cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals, and derivatives to authorized classes of purchasers, as well as controlled human administration trials for sensory testing of cannabis extracts and derivative products. The Australian Licence allows for the manufacturing of extracts and tinctures of cannabis and cannabis resin only for the purpose of a clinical trial or prescribed as medical cannabis products.

The head office and the registered and records office of the Company is located at 151 John St. Barrie, Ontario, L4N 2L1.

These condensed interim consolidated financial statements of the Company as at and for the three months ended March 31, 2022 (“Condensed Interim Consolidated Financial Statements”), include the financial statement of the Company and its subsidiaries.

#### NOTE 2 - BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis of presentation

###### (i) Statement of compliance

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standards IAS 34, *Interim Financial Reporting* following the same accounting policies and methods of application as those disclosed in the Group’s annual consolidated financial statements for the year ended December 31, 2021 with the exception of new accounting policies that were adopted in January 1, 2022 as described in Note 2.2.

The Condensed Interim Consolidated Financial Statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these Condensed Interim Consolidated Financial Statements are to be read in conjunction with the annual financial statements of the Group for

## **MEDIPHARM LABS CORP.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### **As at and for the three months ended March 31, 2022**

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

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#### **NOTE 2 - BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

On May 15, 2022, the Board of Directors of the Company approved these Condensed Interim Consolidated Financial Statements.

##### **2.2 New accounting pronouncements adopted in 2022**

The Group adopted the following new standards and amendments to standards that were effective January 1, 2022. These changes did not have a material impact on the Company's Condensed Interim Consolidated Financial Statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment "Proceeds before Intended Use" – Amendments to IAS 16
- Annual Improvements to IFRS Standards 2018 -2020
- Conceptual Framework (Amendments to IFRS 3)

##### **2.3 Impact of standards, amendments and interpretations issued but not yet effective**

The following new accounting standards and amendments will become effective in a future year and are not expected to have a significant impact on the Group's financial statements.

##### **Standards and amendments effective from January 1, 2023**

- Classification of Liabilities as Current or Non – Current – Amendments to IAS 1
- Definition of Accounting Estimate – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

##### **2.4 Use of estimates and judgements**

The preparation of these Condensed Interim Consolidated Financial Statements requires the use of accounting estimates and exercise of judgement in applying the Group's accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these Condensed Interim Consolidated Financial Statements are described below:

## **MEDIPHARM LABS CORP.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### **As at and for the three months ended March 31, 2022**

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

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#### **NOTE 2 - BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

##### **(i) Expected loss rate**

The expected credit loss for trade receivables and contract assets are based on assumptions about risk of default. The Group uses judgement in making these assumptions and selecting the inputs to the loss calculation based on the Group's past history and existing market conditions at the end of each reporting period.

##### **(ii) Fair value of share-based warrants and stock options**

The Group issues share-based warrants and stock options. In estimating the fair value of the share-based warrants and stock options, the Group uses the Black Scholes option pricing model with inputs such as expected life, expected forfeiture rate and volatility of the stock option, based on their best estimate. The assumptions used for estimating fair value for share based payment transactions with respect to stock options are disclosed in Note 11.2.

##### **(iii) Impairment assessment and estimated useful lives of property, plant and equipment**

The useful lives of the Group's property, plant and equipment are estimated by management at the time the asset is acquired and regularly reviewed for appropriateness. The Group estimated the useful lives of its assets in terms of the assets' expected utility to the Group. This estimate is based on the experience of the Group with similar assets. In determining the useful life of an asset, the Group also assesses technical and/or commercial obsolescence arising on changes or improvements from a change in the market.

The assessment of any impairment of the Group's property, plant and equipment is dependent upon estimate of the recoverable amounts of these assets. The determination of whether triggering events require an assessment of the recoverable amount of the asset or CGU requires judgement. If triggering events are identified, the process to calculate the recoverable amount of each CGU requires use of valuation methods such as a market approach or the replacement cost approach, depending on the nature of the assets. The market approach considers key inputs including market transactions, while the replacement cost approach uses significant assumptions including inflation indices and discount factors. The Group applies judgment when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal for each CGU.

##### **(iv) Valuation of inventories**

The Group's inventories are carried at the lower of cost or net realizable value. The determination of net realizable value might involve significant management judgement and estimates, including the estimation of future sales forecasts and future selling prices.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

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#### NOTE 2 - BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### (v) Fair value of derivative liabilities

The Group applies judgment in determining the method to determine the allocation of proceeds from issuance to debt to its various components, such as embedded derivatives, upon initial recognition. In estimating the fair value of the embedded derivatives, the Group uses the Black Scholes option pricing model with inputs such as share price, expected life and volatility based on best estimate.

##### (vi) COVID-19 estimation uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially impact the Group's operations during the three-month period ended March 31, 2022. The production and sale of cannabis have been recognized as essential services in the jurisdictions in which the Group makes sales and executes production. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Group's business, consolidated financial position and consolidated operating results in the future. Additionally, it is possible that estimates in these Condensed Interim Consolidated Financial Statements will change in the near term as a result of COVID-19. The Group is closely monitoring the impact of the pandemic on all aspects of its business.

#### NOTE 3 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	March 31, 2022	December 31, 2021
Financial assets at amortized cost		
Cash and cash equivalents	28,273	34,110
Trade receivables (Note 5)	14,860	16,918
Financial liabilities at amortized cost		
Trade and other payables (Note 10)	6,182	6,213
Current employee benefit obligations	1,847	2,548
Lease liabilities (Note 8)	156	216
Financial liabilities at fair value through profit/loss		
Warrant derivative liability	1	2

#### NOTE 4 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

##### 4.1 Key management personnel compensation

The Group has determined that key management personnel consist of directors and officers in the Group. The non-share based remuneration to directors and officers during the three-month period ended March 31, 2022 was \$788 (March 31, 2021: \$303) and is included in general and administrative expenses.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 4 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

During the three-month period ended March 31, 2022, the Group issued 6,600,000 options at an average exercise price of \$0.195 per share (March 31, 2021: 750,000 options at \$0.60 per share) and 1,200,000 RSUs (March 31, 2021: 698,968 RSUs) to its key management personnel and recognized total share-based compensation expense related to key management personnel of \$459 (March 31, 2021: \$193).

During the three-month period ended March 31, 2022, the Group's key management personnel exercised nil options for gross proceeds of \$nil (March 31, 2021: nil options for gross proceeds of \$nil).

#### 4.2 Transactions and balances with key management personnel

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. The Company had no transactions with these companies during the three-month period ended March 31, 2022.

As at March 31, 2022, the Group has \$476 (December 31, 2021: \$345) due to key management personnel and no amount was due to entities over which they have control or significant influence. The balance due to key management personnel comprises of accrued compensation amounting to \$195 (December 31, 2021: \$345) and termination benefits amounting to \$281 (December 31, 2021: \$nil). These balances are recorded in current employee benefit obligations in the condensed interim consolidated statements of financial position.

#### NOTE 5 – TRADE AND OTHER RECEIVABLES

	March 31, 2022	December 31, 2021
Trade receivables, net	13,346	15,315
Unbilled receivables	555	-
Other receivables	196	361
Contract assets	363	401
HST/GST/VAT receivable	400	841
	<b>14,860</b>	<b>16,918</b>

As at March 31, 2022, the Group has gross trade receivables of \$14,627 that are over 365 days overdue and are due from two customers. The Group initiated legal proceedings to collect \$8,531 (Note 9.2) due from one of the customers and has not recognized any expected credit loss for this trade receivable. The amount due from the second customer is \$6,096 and is over 365 days overdue. As at December 31, 2021, the Group assessed this entire receivable from the second customer as credit impaired and recorded an expected credit loss ("ECL") for the entirety of this receivable (Note 14.1). The Group continues to take necessary steps to recover the receivable. The Group has an offsetting agreement in place with this second customer under which the receivable amounting to \$6,096 as at March 31, 2022 can be offset against future payables to this counterparty.

Credit risk and aging analysis related to trade receivables are included in Note 14.1.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

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#### NOTE 5 – TRADE AND OTHER RECEIVABLES (Continued)

The contract assets primarily relate to the Group's rights to consideration for work completed but not invoiced at the reporting date on tolling arrangements. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Other receivables comprise of government grants receivable, accrued interest income and amount due from sale of assets.

As at March 31, 2022, the Group has other receivable of \$nil and \$15 related with Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS), respectively (December 31, 2021: \$nil and \$191) since there is a reasonable assurance that the grants will be received and the grants are to compensate the expenses incurred during the period.

#### NOTE 6 – INVENTORIES

	March 31, 2022	December 31, 2021
Raw materials	1,396	2,136
Finished goods	9,319	8,187
Consumables and packages	1,172	653
	<b>11,887</b>	<b>10,976</b>

Raw material inventory is comprised of dried cannabis flower (for extraction purposes) and trim acquired from third party licensed cannabis cultivators. Finished goods inventory is comprised of dry flower (for sale purposes), bulk and formulated concentrate, formulated oil, distillate product and vapes. Consumables include MCT oil used in the production of formulated oil, terpenes used in oil formulation and packaging and product hardware materials.

During the three months ended March 31, 2022, the Group recorded \$nil (March 31, 2021: \$nil) in respect of obsolete/slow moving inventory. As at March 31, 2022, the Group has reserved \$2,145 (December 31, 2021: \$2,198) related to the obsolete/slow moving inventory.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 7 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	January 1, 2022	Additions	Disposals	Transfers	Exchange difference	March 31, 2022
<b>Cost</b>						
Land	1,863	-	-	-	6	1,869
Building and building improvements	24,786	-	-	298	86	25,170
Leasehold improvements	209	-	-	-	-	209
Computers	1,873	-	-	-	9	1,882
Office equipment	259	-	-	-	1	260
Machinery and plant equipment	15,969	-	-	621	36	16,626
Motor vehicles	37	-	-	-	-	37
Security equipment	743	-	-	-	-	743
Construction in progress	4,494	181	-	(919)	5	3,761
Right-of-use assets (Note 7.1)	1,086	-	-	-	-	1,086
	<b>51,319</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>143</b>	<b>51,643</b>
<b>Less: Accumulated depreciation and impairment losses</b>						
Building and building improvements	8,059	244	-	-	16	8,319
Leasehold improvements	139	2	-	-	-	141
Computers	1,407	113	-	-	7	1,527
Office equipment	151	10	-	-	-	161
Machinery and plant equipment	10,675	371	-	-	13	11,059
Motor vehicles	19	2	-	-	-	21
Security equipment	623	14	-	-	-	637
Construction in progress	3,354	-	-	-	-	3,354
Right-of-use assets (Note 7.1)	998	62	-	-	-	1,060
	<b>25,425</b>	<b>818</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>26,279</b>
<b>Net book value</b>	<b>25,894</b>					<b>25,364</b>

#### 7.1 Right-of-use assets

The Group leases assets including land, building, equipment, motor vehicles and IT equipment. The details of the asset types where the Group is lessee are listed below. Total amount of leases with a term of 12 months or less ("short-term leases") expensed to the consolidated statements of loss for three months ending March 31, 2022 is \$1 (March 31, 2021: \$66).

**MEDIPHARM LABS CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****As at and for the three months ended March 31, 2022**

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)**

	January 1, 2022	Additions	March 31, 2022
<b>Cost</b>			
<b>Right-of-use assets</b>			
-Land	99	-	99
-Building	757	-	757
-Equipment	167	-	167
-Vehicle	31	-	31
-IT equipment	32	-	32
	<b>1,086</b>	<b>-</b>	<b>1,086</b>
<b>Less: Accumulated depreciation</b>			
<b>Right-of-use assets</b>			
-Land	95	4	99
-Building	720	37	757
-Equipment	136	19	155
-Motor vehicle	31	-	31
-IT equipment	16	2	18
	<b>998</b>	<b>62</b>	<b>1,060</b>
<b>Net book value</b>	<b>88</b>		<b>26</b>

**7.2 Intangible assets**

	January 1, 2022	Additions	Impairment	March 31, 2022
<b>Cost</b>				
Brand	250	-	-	250
<b>Less: Accumulated amortization and impairment</b>				
Brand	206	1	-	207
<b>Net book value</b>	<b>44</b>			<b>43</b>



## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 8 – LEASE LIABILITIES

	March 31, 2022	December 31, 2021
Current	69	113
Non-current	87	103
	<b>156</b>	<b>216</b>

The Group has various lease agreements with maturities of 1 to 5 years. An incremental borrowing rate of 3.1% is used to calculate the net present value of the lease liability. The maturity analysis of lease liability based on contractual undiscounted cash flow is included in Note 14.2.

#### NOTE 9 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

##### 9.1 Purchase commitments under purchase agreements

Under a cannabis material sales agreement, the Group is committed to purchase cannabis products amounting to \$9,500 until December 31, 2022. During the three months ended March 31, 2022, the Group fulfilled purchase of cannabis products amounting to \$nil (2021: \$nil) based on availability of cannabis products from the counterparty. The remaining purchase commitment as at March 31, 2022, is cannabis products amounting to \$5,329 (December 31, 2021: \$5,329).

##### 9.2 Litigation

On January 24, 2020, a subsidiary of the Group (MPL) filed a statement of claim ("Claim") in the Ontario Superior Court of Justice against one of its former long-term customers of cannabis concentrates. The Claim relates to, among other things, the payment of outstanding amounts due to MPL for products shipped to and received by the customer and deposits owed to MPL for committed amounts not yet shipped. The outstanding amounts on the date of the claim was approximately \$9,800, of which only \$8,531 was recognized by the Group as trade receivables relating to performance obligations satisfied in a previous year; the remaining \$1,269 has not been recognized by the Group as revenue or trade receivables as it relates to non-refundable deposits payable by the customer. On February 26, 2020, the defendant in the Claim filed a statement of defense and counterclaim for \$35,000. The Group participated in a summary judgment hearing on December 8, 2021, and the matter remains ongoing as the Group awaits a court decision. The Group has not recognized a liability in connection with the counterclaim as the Group believes it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Group for this claim. The Group also has not recognized an expected credit loss against the \$8,531 trade receivable subject to this claim (Note 14.1).

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

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#### NOTE 10 – TRADE AND OTHER PAYABLES

	March 31, 2022	December 31, 2021
Accrued liabilities	1,711	1,597
Payable to suppliers	2,795	2,991
Contract liabilities	1,520	1,318
Other	156	307
	<b>6,182</b>	<b>6,213</b>

Payable to suppliers are amounts due to vendors for unpaid goods and services received arising in the ordinary course of business. Trade payables are typically short term in nature with due dates less than 60 days. Accrued liabilities mainly result from products and services received from third parties related to ordinary course of business for which invoices have not been received as of the reporting date. Other includes HST/GST/QST payable and excise tax payable. Contract liabilities comprise of prepayments from customers and deposits for assets held for sale.

#### NOTE 11 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### 11.1 Common shares issued

The Group is authorized to issue an unlimited number of no-par value common shares. Holders of the common shares are entitled to one vote per share at general meetings of the Group.

On March 5, 2021, the Group closed a bought deal offering of 57,500,000 units of the Company at a price of \$0.58 per unit for aggregate gross proceeds of \$33,350. Each unit of the Company is comprised of one common share in the capital of the Group (each, a “Common Share”) and one Common Share purchase warrant (each, a “Warrant”). Each Warrant shall be exercisable to acquire one Common Share at an exercise price of \$0.70 per Common Share for a period of 24 months from the closing date of the bought deal offering. The Group incurred transaction costs of \$2,243 (net of tax) in connection with the bought deal offering which were recorded as a reduction to share capital and warrants reserve. The gross proceeds and transactions costs of the bought deal were allocated to share capital and warrants reserve.

The Common Shares were valued using the market price at the date of transaction and the fair value of Warrants was calculated using the residual balance method.

For the three month period ended March 31, 2022, nil stock options (March 31, 2021: nil stock options) and nil warrants (March 31, 2021: nil warrants) were exercised into common shares for proceeds of \$nil (March 31, 2021: \$nil) and \$nil (March 31, 2021: \$nil), respectively. In addition, 401,785 RSUs (March 31, 2021: nil RSUs) were exercised into common shares amounting to \$84 (March 31, 2021: \$nil).

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 11 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

##### 11.2 Stock options / Share based compensation

On January 27, 2022, the Group issued 12,800,000 options to purchase up to 12,800,000 Common shares with an exercise price of \$ 0.195 per share for a five-year term expiring January 27, 2027. The options vest 25% every six months, with the first 25% vesting occurring six months from the date of the grant, until fully vested. Total fair value of the options issued was \$1,760 and was estimated using Black Scholes option pricing model, with the following assumptions: estimated volatility of 91.40%, expected life of 5 years and risk-free rate of 1.57%.

The expected life of the stock options is based on historical data of similar companies (since the Group does not have sufficient historical data) and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

	<b>Number of options</b>	<b>2022 Weighted average exercise price \$</b>
As at January 1	11,085,670	1.88
Granted during the period	12,800,000	0.195
Exercised during the period	-	-
Forfeited/cancelled during the period	(78,000)	0.41
<b>Outstanding at March 31</b>	<b>23,807,670</b>	<b>0.98</b>
Exercisable at March 31	8,724,704	2.30
Weighted average remaining contractual life		2.46 years

The range of exercise prices for options outstanding as at March 31, is as below:

<b>Exercise price range</b>	<b>Weighted average remaining contractual life 2022</b>	<b>Number of outstanding options 2022</b>
Less than and equal to \$1.00	4.66	16,850,720
Between \$1.00 and \$3.00	2.02	5,295,050
Between \$3.00 and \$5.00	2.31	493,600
More than and equal to \$5.00	2.37	1,168,300
		<b>23,807,670</b>

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 11 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

On January 27, 2022, the Group issued 2,320,000 RSUs under the Group's Omnibus Equity Incentive Plan, which was approved by shareholders on January 27, 2022. The total fair value of the RSUs issued was \$452 and was calculated using the share price of \$0.195 on the grant date.

The RSUs vest 25% every six months, with the first 25% vesting occurring six months from the date of the grant, until fully vested. The Group has the option of settling the RSUs in Common Shares or cash.

	<b>2022</b>
	<b>Number of RSUs</b>
As at January 1	3,661,038
Granted during the period	2,320,000
Exercised during the period	(401,785)
Forfeited/cancelled during the period	(73,784)
<b>Outstanding at March 31</b>	<b>5,505,469</b>

#### NOTE 12 – REVENUE

The revenue from contracts with customers is disaggregated by geographical market, revenue streams and timing of revenue recognition as follows.

	<b>Three months ended</b>	
	<b>March 31 2022</b>	<b>March 31 2021</b>
Domestic sales	2,955	3,519
International sales		
Australia	644	697
Germany	1,080	1,243
Other	198	36
	<b>4,877</b>	<b>5,495</b>
Private label	1,457	2,242
White label	2,489	2,215
Tolling process	867	991
Other	64	47
	<b>4,877</b>	<b>5,495</b>
Products transferred at a point in time	4,010	4,504
Products and services transferred over time	867	991
	<b>4,877</b>	<b>5,495</b>

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 12 – REVENUE (Continued)

For the three months ended March 31, 2022, the Group's revenue to four of its customers represented 15.3%, 13.11%, 12.87% and 11.98% of total revenue attributed to cannabis extracts and derivative products (March 31, 2021: three customers represented 22%, 17.6% and 14.2%). The Group had no other customers that represented more than 10% of the Group's total revenues for the three months ended March 31, 2022 and March 31, 2021.

#### NOTE 13 – EXPENSES BY NATURE

	Three months ended	
	March 31	March 31
	2022	2021
Inventory and consumables recognized in cost of sales	1,839	2,507
Employee benefits	5,391	5,160
Depreciation and amortization	819	876
Consulting and professional fees	1,140	610
Share based compensation expense (2)	741	880
Analytical testing	335	541
Supplies and small equipment	105	240
Rent and occupancy cost	209	211
Foreign exchange (gain)/loss	(316)	632
Insurance	662	313
Advertising and promotion	395	180
Software and licenses	130	356
Other (1)	931	904
	<b>12,381</b>	<b>13,410</b>

(1) Other includes investor relations, travel expenses, Health Canada regulatory fees, bank fees, grant income and repair and maintenance expenses.

(2) Out of total share-based compensation expense of \$741 (2021: \$880), general administrative portion is \$581 (2021: \$630), marketing and selling portion is \$56 (2021: \$91), cost of sales portion is \$64 (2021: \$88) and research and development portion is \$39 (2021: \$71).

#### NOTE 14 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group is exposed to a variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Financial risk management is carried out by the Subsidiaries of the Group under policies approved by the Company's Board of Directors.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 14 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

##### 14.1 Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group holds cash of \$28,273 (December 31, 2021: \$34,110). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks, large credit unions or Australian banks.

At March 31, 2022, the exposure to credit risk for gross trade receivables and contract assets by the type of customer is as follows:

	March 31, 2022	December 31, 2021
Business to business customers	18,198	19,189
Distributors / Retailers	1,834	2,705
	<b>20,032</b>	<b>21,894</b>

As at March 31, 2022, the Group holds trade receivables from two customers representing 43% and 31% of total trade receivables (December 31, 2021: two customers representing 39% and 28%).

The Group has legal collection proceedings with respect to \$8,531 of the Group's trade receivable balance, which are all due from one customer (Note 9.2). The Group did not recognize any ECL for this trade receivable.

The Group limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from business to business customers before the shipment of the products. Also, the Group's management believes that the exposure to credit risk from distributors is very limited since most of the distributors are either government organizations or large reputable organizations. The Group recognized an allowance for expected credit losses in connection with its trade receivables to an amount of \$6,323 (December 31, 2021: \$6,178). The aging of the Group's gross trade receivables at March 31, 2022 is as follows:

	March 31, 2022 Gross carrying amount	December 31, 2021 Gross carrying amount
Current (not past due)	3,376	4,473
1-30 days past due	515	612
31-90 days past due	500	1,600
90-270 days past due	602	181
270-365 days past due	49	-
>365 days	14,627	14,627
	<b>19,669</b>	<b>21,493</b>

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three months ended March 31, 2022

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

#### NOTE 14 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

##### 14.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period the Group held deposits at banks and financial institutions of \$28,273 (December 31, 2021: \$34,110) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

The table below presents the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>Contractual maturities of financial liabilities At March 31, 2022</b>	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>12-36 months</b>	<b>36-60 months</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
Trade and other payables	6,182	-	-	-	6,182	6,182
Lease liability	36	37	86	-	159	156
<b>Total financial liabilities</b>	<b>6,218</b>	<b>37</b>	<b>86</b>	<b>-</b>	<b>6,341</b>	<b>6,338</b>

##### 14.3 Market risk

Market risk is the risk that changes in market price – e.g., foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

###### (i) Foreign currency risk

Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. As of the end of the reporting period, the Group's foreign currency exposure is due to USD, EUR and AUD foreign currency denominated transactions.

###### (ii) Price risk

The Group's price risk arises from the volatility of the Group's own market share prices which could significantly affect the fair value of the derivative liabilities.

## **MEDIPHARM LABS CORP.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### **As at and for the three months ended March 31, 2022**

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

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#### **NOTE 14 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)**

##### **14.4 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management defines capital as the Group's shareholders' equity attributable to equity holders of the parent and debt (consisting of the Group's lease liabilities and derivative liabilities). As at March 31, 2022, total managed capital is \$76,311 (December 31, 2021: \$83,364). The Group's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund both existing and future value-added growth opportunities. To secure the additional capital necessary to pursue these plans, the Group may attempt to raise additional funds through the issuance of equity or by securing strategic partners or through debt financing.

#### **NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the Condensed Interim Consolidated Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The Group's cash and cash equivalents are classified as Level 1 whereas trade receivables are classified as Level 2. Carrying values of significant portion of financial assets do not differ significantly from their fair values due to their short-term nature. Equity investments at fair value through other comprehensive income are classified as Level 3 as they are not traded in an active market. Considering the significance of the equity investment amount, the fair value of these financial assets is assumed to approximate their carrying value.

The Group's loans and borrowings and trade payables are classified as Level 2. These financial liabilities are classified as amortized cost and their carrying values approximate their fair values. The derivative liabilities are classified as Level 3 since some of the significant inputs used to calculate the fair value of the derivative liabilities are subject to volatility and several factors outside of the Group's control.

During the three months ended March 31, 2022, there were no transfers between levels.



## **MEDIPHARM LABS CORP.**

### **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

#### **As at and for the three months ended March 31, 2022**

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

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#### **NOTE 16 – SEGMENT INFORMATION**

The Group operates in one reportable segment, the production and sales of cannabis extracts and derivative products. The Group's Canadian and Australian operating segments are aggregated into one reportable segment based on similarities in the nature of their products and types of customers. The Group's country of domicile is Canada. The carrying value of non-current assets located in Canada and outside of Canada is \$19,732 and \$6,425 (December 31, 2021: \$20,133 and \$6,558), respectively and these assets are primarily made up of property, plant and equipment.

#### **NOTE 17 – RECLASSIFICATION OF PRIOR PERIOD PRESENTATION**

Certain amounts reported in prior periods in the financial statements have been reclassified to conform to the current period's presentation.

#### **NOTE 18 – EVENTS AFTER THE REPORTING PERIOD**

##### **(i) Issued and cancelled stock options**

Subsequent to March 31, 2022, nil options were issued, 5,805,720 options were forfeited and no options were exercised.

Subsequent to March 31, 2022, nil RSUs were issued, 2,094,427 RSUs were forfeited and 446,322 RSUs were exercised.

Subsequent to March 31, 2022, David Pidduck was appointed as CEO and in connection with his appointment, Mr. Pidduck was awarded an aggregate of 14,758,621 RSUs and granted an aggregate of 5,184,280 stock options with an exercise price of \$0.145 and a five-year term. The RSUs and options vest in equal instalments over the next twenty-four months. The grants are subject to any necessary regulatory approvals and a portion of the grants may be subject to shareholder approval at the Company's annual meeting of shareholders to be held on June 30, 2022.