MEDIPHARM LABS CORP.
CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE THREE MONTHS ENDED
MARCH 31, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW

The accompanying condensed interim consolidated financial statements for MEDIPHARM LABS CORP. (the "Company") have been prepared by management. Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Obligations, the Company advises that the accompanying condensed interim consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditor. The Company's auditor has not performed a review of the accompanying condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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As at March 31, 2023 and December 31, 2022
(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	March 31, 2023	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		20,150	24,145
Trade and other receivables	5	13,023	12,876
Inventories	6	8,124	7,776
Other assets		1,490	1,590
Loan receivable	7	750	-
Assets held for sale	8	829	829
Current tax receivable		-	129
Total current assets		**44,366**	**47,345**
Non-current assets:			
Property, plant and equipment	9	17,647	18,111
Intangibles	9.2	38	39
Total non-current assets		**17,685**	**18,150**
Total assets		**62,051**	**65,495**

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, 2023 and December 31, 2022
(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	March 31, 2023	December 31, 2022
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	12	6,326	7,121
Current employee benefit obligations		1,843	1,737
Loans and borrowings	10	200	598
Total current liabilities		**8,369**	**9,456**
Non-current liabilities:			
Loans and borrowings	10	18	34
Total non-current liabilities		**18**	**34**
Total liabilities		**8,387**	**9,490**
Equity:			
Common shares	13	191,256	191,256
Reserves		29,145	28,398
Accumulated other comprehensive (loss)		-	-
Accumulated deficit		(166,737)	(163,649)
Total equity		**53,664**	**56,005**
Total liabilities and equity		**62,051**	**65,495**

Going concern	2.1(ii)
Commitments and contingencies	11
Subsequent events	20

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, 2023 and 2022

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

		Three months ended	
	Notes	**March 31 2023**	**March 31 2022**
Revenue	14	5,843	4,877
Cost of sales		(5,456)	(5,280)
Gross profit		**387**	**(403)**
General administrative expenses		(1,518)	(4,886)
Marketing and selling expenses		(1,369)	(1,493)
Research and development expenses		(36)	(300)
Share based compensation expense	13,15	(747)	(741)
Other operating income/(expense), net		(50)	319
Operating loss		**(3,333)**	**(7,504)**
Unrealized gain in revaluation of derivative liabilities		-	1
Finance income		250	48
Finance expense		(5)	(2)
Loss before taxation		**(3,088)**	**(7,457)**
Net loss for the period		**(3,088)**	**(7,457)**
Basic and diluted earnings per share		(0.01)	(0.03)

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, 2023 and 2022
(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Three months ended	
	March 31 2023	**March 31 2022**
Net loss for the period	**(3,088)**	**(7,457)**
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-	(275)
Total comprehensive loss for the period	**(3,088)**	**(7,732)**

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, 2023 and 2022
(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Common Shares		Reserves					
	Number (post stock split)	Share capital	Share-based payments	Non-controlling interest acquisition reserve	Warrant Reserve	Accumulated other comprehensive income/(loss)	Accumulated deficit	Total
Balance at January 1, 2022	**273,537,190**	**190,550**	**21,137**	**(4,323)**	**5,095**	**30**	**(129,343)**	**83,146**
Shares issued on exercise of RSUs	401,785	84	(84)	-	-	-	-	-
Share based compensation	-	-	741	-	-	-	-	741
Foreign exchange translation	-	-	-	-	-	(275)	-	(275)
Net loss for the period	-	-	-	-	-	-	(7,457)	(7,457)
Balance at March 31, 2022	**273,938,975**	**190,634**	**21,794**	**(4,323)**	**5,095**	**(245)**	**(136,800)**	**76,155**
Balance at January 1, 2023	**282,164,905**	**191,256**	**23,303**	**-**	**5,095**	**-**	**(163,649)**	**56,005**
Shares issued on exercise of RSUs	-	-	-	-	-	-	-	-
Share based compensation	-	-	747	-	-	-	-	747
Foreign exchange translation	-	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(3,088)	(3,088)
Balance at March 31, 2023	**282,164,905**	**191,256**	**24,050**	**-**	**5,095**	**-**	**(166,737)**	**53,664**

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, 2023 and 2022
(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 2023	March 31 2022
Cash flows from operating activities:			
Net loss for the period		(3,088)	(7,457)
Adjustments for:			
Depreciation and Amortization	9	490	819
Recovery of expected credit loss	5,15	(1,546)	-
Finance income and finance expense		(245)	(46)
Unrealized gain in revaluation of derivative liabilities		-	(1)
Unrealized foreign exchange difference		5	(316)
Deferred income		-	(1)
Share based compensation		747	741
		(3,637)	**(6,261)**
Change in trade and other receivables	5	(151)	2,058
Change in inventories	6	1,198	(911)
Change in other assets		100	258
Change in trade and other payables	12	(796)	(45)
Change in other current tax receivable		129	-
Change in other current liabilities		106	(701)
Net cash used in operating activities		**(3,051)**	**(5,602)**
Cash flows from investing activities:			
Capital expenditures	9	(25)	(144)
Net cash used in investing activities		**(25)**	**(144)**
Cash flows from financing activities:			
Loan granted	7	(750)	-
Repayment of loans and borrowings	10	(392)	-
Interest received		250	48
Interest paid		(4)	-
Payment of lease liabilities		(23)	(62)
Net cash provided by financing activities		**(919)**	**(14)**
Effects of exchange rate changes		**-**	**(77)**
(Decrease)/increase in cash and cash equivalents		(3,995)	**(5,837)**
Cash and cash equivalents at the beginning of the period		**24,145**	**34,110**
Cash and cash equivalents at the end of the period		**20,150**	**28,273**

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

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 produce purified, pharmaceutical-like cannabis extracts and related derivative products and its operating subsidiary is the holder of a standard processing licence and a research licence under the *Cannabis Act* (Canada) (the "**Canadian Licences**"). The Canadian Licences allow for the sale and distribution of cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals, dried and fresh cannabis, and derivatives to authorized classes of purchasers, as well as controlled human administration trials for sensory testing of cannabis extracts and derivative 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, 2023 ("Interim Financial Statements"), include the financial statements of the Company and its subsidiaries.

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

These Interim 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 Company's annual consolidated financial statements for the year ended December 31, 2022 with the exception of new accounting policies that were adopted in January 1, 2023 as described in Note 2.2.

The Interim Financial Statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these Interim Financial Statements are to be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

On May 14, 2023, the Board of Directors of the Company approved these Interim Financial Statements.

(ii) Going concern

These Interim Financial Statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of its operations.

During the period ended March 31, 2023, the Company used cash in operating activities of $3,051 (March 31, 2022: $5,602). As of March 31, 2023, the Company had a working capital balance of $35,997 (December 31, 2022: $37,889) and an accumulated deficit of $166,737 (December 31, 2022: $163,649). As of March 31, 2023, the Company had cash and cash equivalents of $20,150 (December 31, 2022: $24,145).

On December 21, 2022, the Company entered into an agreement with VIVO Cannabis Inc. ("the Acquiree") to acquire 100% of the shares of the Acquiree ("the Acquisition") and the Acquisition closed subsequent to the period end on April 1, 2023 (Note 20). Without achieving significant synergies for the combined entity after the Acquisition or obtaining additional financing, the Acquisition is expected to result in significant use of cash and cash equivalents to fund the operations of the Acquiree. Considering the Acquisition, there exists a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. As such, the Company's ability to continue as a going concern is dependent upon its ability to generate sufficient revenues and positive cash flow from the operating activities of the combined entity and/or obtaining sufficient funding to meet its plans and obligations.

These Interim Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, and such adjustments could be material.

2.2 New accounting pronouncements or policies adopted in 2023

The Company adopted the following new standards and amendments to standards that were effective January 1, 2023. These changes did not have a material impact on the Company's Interim Financial Statements.

- Definition of Accounting Estimates – 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)
- IFRS 17 – Insurance Contracts

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

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 Company's financial statements.

Standards and amendments effective from January 1, 2024

- Amendments to IFRS 16
- Amendments to IAS 1

2.4 Use of estimates and judgements

The preparation of these Interim 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 Interim Financial Statements are described below:

(i) Expected credit loss

The expected credit losses for trade receivables and contract assets are based on assumptions about risk of default. The Company uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculation based on the Company'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 Company issues share-based warrants and stock options. In estimating the fair value of the share-based warrants and stock options, the Company 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 13.2.

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

The useful lives of the Company's property, plant and equipment are estimated by management at the time the asset is acquired and regularly reviewed for appropriateness. The Company estimated the useful lives of its assets in terms of the assets' expected utility to the Company. This estimate is based on the

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

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

experience of the Company with similar assets. In determining the useful life of an asset, the Company 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 Company'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 recoverable amount of the CGU is determined based on the higher of the value in use and fair value less costs of disposal. The process to calculate the fair value less costs of disposal require use of valuation methods such as market and cost approaches which uses key inputs and assumptions such as market transactions, inflation indices and discount factors. The process to calculate the value in use requires the use of a discounted cash flow method which uses assumptions or key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applies judgment when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal.

(iv) Valuation of inventories

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

NOTE 3 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	March 31, 2023	December 31, 2022
Financial assets at amortized cost		
Cash and cash equivalents	20,150	24,145
Trade and other receivables (Note 5)	13,023	12,876
Loan receivable (Note 7)	750	-
Financial liabilities at amortized cost		
Trade and other payables (Note 12)	6,326	7,121
Current employee benefit obligations	1,843	1,737
Loan and borrowings (Note 10)	218	632

(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

4.1 Key management personnel compensation

The Company has determined that key management personnel consist of directors and officers in the Company. The non-share-based compensation remuneration to directors and officers during the three-month period ended March 31, 2023 was $416 (March 31, 2022: $788) and is included in general and administrative expenses.

During the three-month period ended March 31, 2023, the Company issued nil options at an average exercise price of $nil per share (March 31, 2022: 6,600,000 options at $0.195 per share) and nil RSUs (March 31, 2022: 1,200,000 RSUs) to its key management personnel and recognized total share-based compensation expense related to key management personnel of $467 (March 31, 2022: $459).

During the three-month period ended March 31, 2023, the Company's key management personnel exercised nil options for gross proceeds of $nil (March 31, 2022: nil options for gross proceeds of $nil) and nil RSUs were exercised into common shares amounting to $nil (March 31, 2022: 401,785 RSUs were exercised into common shares amounting to $84).

4.2 Transactions and balances with key management personnel

As at March 31, 2023, the Company has $1,236 (December 31, 2022: $1,125) due to key management personnel and no amount was due to entities over which they have control or significant influence (December 31, 2022: $nil). The balance due to key management personnel comprise of accrued compensation and is included in current employee benefit obligations in the consolidated statements of financial position.

NOTE 5 – TRADE AND OTHER RECEIVABLES

	March 31, 2023	**December 31, 2022**
Trade receivables, net	12,740	12,345
Other receivables	85	501
Contract assets	12	-
HST/GST receivable	186	30
	13,023	**12,876**

As at March 31, 2023, the Company has gross trade receivables of $8,531 (December 31, 2022: $14,607) that are over 365 days overdue and are due from one customer (net trade receivables of $8,531 (December 31, 2022: $8,531)). The Company initiated legal proceedings to collect $8,531 due from this customer and has not recognized any expected credit loss for this trade receivable. On July 25, 2022, a court ruling was issued in respect of these legal proceedings in which the Company was awarded $9,800 plus interest and costs (Note 11.2).

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

NOTE 5 – TRADE AND OTHER RECEIVABLES (Continued)

On August 23, 2022, the defendant in the Claim filed a Notice of Appeal to the summary judgment ruling and the Court of Appeal had scheduled a hearing for May 23, 2023. On May 4, 2023, the Court of Appeal adjourned the hearing to August 14, 2023.

As at December 31, 2022, the Company had a second customer with trade receivables of $6,076 and over 365 days overdue. The Company assessed this entire receivable from the second customer as credit impaired and recorded an expected credit loss ("ECL") for the entirety of the receivable as at December 31, 2022. Effective, February 1, 2023, the Company signed a settlement agreement with this counterparty under which the counterparty provided the Company with cannabis products valued at $1,546 in exchange for settling the outstanding debt and relieved the Company of its commitment to purchase dry flower from the counterparty (Note 10.1).

Credit risk and aging analysis related to trade receivables are included in Note 16.1.

Other receivables primarily comprise accrued interest. Other receivables as at December 31, 2022 primarily comprise unbilled receivables and the amount due from the Company's disposal of its subsidiary.

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

NOTE 6 – INVENTORIES

	March 31, 2023	December 31, 2022
Raw materials	1,460	562
Finished goods	5,147	5,550
Consumables and packages	1,517	1,664
	8,124	**7,776**

Raw material inventory is comprised of dried cannabis flower (for extraction purposes, making pre-rolls or packaged flower) 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, 2023, inventories of $3,073 (March 31, 2022: $1,839) were recognized as an expense during the period and included in cost of sales. For the three months ended March 31, 2023, the Company recognized write downs of the carrying value of its raw materials, work in progress and finished goods of $nil (March 31, 2022: $nil).

NOTE 7 – LOAN RECEIVABLE

On December 21, 2022, the Company entered into a definitive arrangement agreement with VIVO Cannabis Inc. ("VIVO") pursuant to which the Company agreed to acquire all of the issued and outstanding shares of VIVO in an all-equity business combination transaction.

Under the terms of the arrangement, prior to closing, the Company agreed to advance up to $3,750 to VIVO, on the request of VIVO from time to time, to fund VIVO's ongoing operations in the ordinary course, in exchange for one or more secured promissory notes. If the arrangement becomes effective, the VIVO shareholders (other than dissenting VIVO shareholders) will receive between 0.2110 (the "Minimum Exchange Ratio") of a common share of the Company and 0.4267 (the "Maximum Exchange Ratio") of a common share of the Company for each common share of VIVO held. During the period ended March 31, 2023, the Company advanced $750 to VIVO by means of a promissory note and the amount has been recorded as loan receivable in the condensed interim consolidated statement of financial position.

On April 1, 2023, the Company completed the acquisition of VIVO and the exchange ratio included an adjustment of $750 advanced under secured promissory note to VIVO prior to closing of the acquisition (Note 20).

NOTE 8 – ASSETS HELD FOR SALE

Assets held for sale consists of certain production machinery assets for which the carrying value was no longer expected to be recovered through continued use, but rather a sale transaction. The fair value less costs to sell the production machinery as of March 31, 2023 was $829 (December 31, 2022: $829). The Company has received proceeds for the sale of these assets amounting to $829 (December 31, 2022: $829), which have been included in contract liabilities in Note 12. These assets continue to be recognized as assets held for sale as the acquiring entity that has paid the Company for the assets has not yet taken physical possession of the assets.

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

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	January 1, 2023	Additions	Disposals	Transfers	March 31, 2023
Cost					
Land	1,523	-	-	-	1,523
Building and building improvements	20,934	-	-	-	20,934
Leasehold improvements	209	-	-	-	209
Computers	1,365	-	-	-	1,365
Office equipment	207	-	-	-	207
Machinery and plant equipment	15,108	-	-	29	15,137
Motor vehicles	37	-	-	-	37
Security equipment	738	-	-	-	738
Construction in progress	2,596	25	-	(29)	2,592
Right-of-use assets (Note 9.1)	437	-	-	-	437
	43,154	**25**	**-**	**-**	**43,179**
Less: Accumulated depreciation and impairment losses					
Building and building improvements	8,479	149	-	-	8,628
Leasehold improvements	146	2	-	-	148
Computers	1,279	18	-	-	1,297
Office equipment	156	7	-	-	163
Machinery and plant equipment	11,450	290	-	-	11,740
Motor vehicles	26	2	-	-	28
Security equipment	674	15	-	-	689
Construction in progress	2,410	-	-	-	2,410
Right-of-use assets (Note 9.1)	423	6	-	-	429
	25,043	**489**	**-**	**-**	**25,532**
Net book value	**18,111**				**17,647**

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

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

9.1 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 the three months ended March 31, 2023 is $6 (March 31, 2022: $1).

	January 1, 2023	Additions	Disposal	March 31, 2023
Cost				
Right-of-use assets				
-Land	117	-	-	117
-Building	121	-	-	121
-Equipment	167	-	-	167
-IT equipment	32	-	-	32
	437	**-**	-	**437**
Less: Accumulated depreciation and impairment				
Right-of-use assets				
-Land	113	4	-	117
-Building	121	-	-	121
-Equipment	167	-	-	167
-Motor vehicle	-	-	-	-
-IT equipment	22	2	-	24
	423	**6**	**-**	**429**
Net book value	**14**			**8**

9.2 Intangible assets

	January 1, 2023	Additions	Impairment	March 31, 2023
Cost				
Brand	250	-	-	**250**
Less: Accumulated amortization and impairment				
Brand	211	1	-	**212**
Net book value	39			**38**

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

NOTE 10 – LOANS AND BORROWINGS

	March 31, 2023	December 31, 2022
Current liabilities		
Lease liability (1)	69	75
Loans and borrowings (2)	131	523
	200	**598**

	March 31, 2023	December 31, 2022
Non-current liabilities		
Lease liability (1)	18	34
	18	**34**

(1) The Company has various lease agreements with a maturity of 1-3 years. An average 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 flows is included in Note 16.2.

(2) Loans and borrowings comprise a financing arrangement for the Company's insurance premiums. Under this financing arrangement, the Company has borrowed a notional amount of $1,341 and repaid $392 during the period ended March 31, 2023. The debt has a maturity date of April 30, 2023, bears an interest rate of 4.479%, and repayable in 1 remaining equal monthly instalment.

NOTE 11 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

11.1 Purchase commitments under purchase agreements

Under a cannabis material sales contract, the Company had a commitment to purchase cannabis products amounting to $9,500 however, effective February 1, 2023, the Company has been released from the remaining obligation of $5,329 through a settlement agreement with this counterparty (Note 5).

11.2 Litigation

On January 24, 2020, a subsidiary of the Company (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 relates to non-refundable deposits payable by the customer and has not been recognized by the Group as revenue or trade receivables. On February 26, 2020, the defendant in the Claim filed a statement of defence and counterclaim for $35,000. The Company participated in a summary judgment hearing on December 8, 2021. On July 25, 2022, a court ruling was issued in respect of these legal proceedings in which the Company was awarded a favourable summary judgement ruling in the amount of $9,800, plus interest and costs. In addition, the court ruling also dismissed the counterclaim of $35,000 filed against the Company. On August 23, 2022, the defendant in the Claim filed a Notice of Appeal

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

NOTE 11 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS (Continued)

to the summary judgment ruling, and the Court of Appeal has scheduled a hearing regarding the appeal for May 23, 2023. On May 4, 2023, the Court of Appeal adjourned the hearing to August 14, 2023. The Company has not recognized an expected credit loss against the $8,531 trade receivable subject to this claim (Note 16.1) and has not recognized a liability in connection with the counterclaim.

On July 12, 2022, the Company received notice of an intended third-party claim against MPL by another cannabis company named as a defendant in a proposed national consumer protection class-action lawsuit filed with the Court of Queen's Bench in Alberta (as amended from time to time, the "Alberta Claim"). The Alberta Claim seeking damages against several Canadian cannabis companies for allegations regarding the advertised THC and CBD content in the companies' products. The Company is not a defendant in the Alberta Claim. The threatened third-party claim would seek contribution and indemnity against MPL and several other third parties in the event the defendant threatening the third-party claim is found liable for damages in the Alberta Claim. The Company has not recognized a liability in connection with this claim as the Company has assessed it is more likely than not that the claim will not result in a cash outflow.

NOTE 12 – TRADE AND OTHER PAYABLES

	March 31, 2023	December 31, 2022
Payable to suppliers	2,389	3,539
Accrued liabilities	2,089	1,937
Contract liabilities	1,284	1,321
Other	564	324
	6,326	**7,121**

Payable to suppliers are amounts due to vendors for unpaid goods and services received arising in the ordinary course of business. Trade payables are all 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 13 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

13.1 Common shares issued

The Company is authorized to issue an unlimited number of Common Shares. Holders of the Common Shares are entitled to one vote per share at shareholder meetings of the Company.

For the three-month period ended March 31, 2023, nil stock options (March 31, 2022: nil stock options) were exercised into common shares for proceeds of $nil (March 31, 2022: $nil). In addition, during the three-month ended March 31, 2023, nil RSUs (March 31, 2022: 401,785) were settled through issuance of

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

NOTE 13 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Common Shares, resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of $nil (March 31, 2022: $84).

13.2 Stock options / Share based compensation

During the three-month period ended March 31, 2023, the Company did not grant any options to purchase Common Shares under the Company's omnibus equity incentive plan (the "**Plan**").

The expected life of the stock options is based on historical data of similar companies (since the Company 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.

		2023
	Number of options	**Weighted average exercise price $**
As at January 1	26,642,138	0.66
Granted during the period	-	-
Exercised during the period	-	-
Forfeited/cancelled during the period	(480,000)	0.99
Outstanding at March 31	**26,162,138**	**0.67**

		2023
	Number of options	**Weighted average exercise price $**
Exercisable at March 31	13,964,324	1.15
Weighted average remaining contractual life		2.76 years

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

Exercise price range	**Weighted average remaining contractual life 2023**	**Number of outstanding options 2023**
Less than and equal to $0.50	2.10	19,761,988
Between $0.50 and $1.00	0.22	1,190,000
More than and equal to $1.00	0.43	5,210,150
		26,162,138

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

NOTE 13 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

During the three-month period ended March 31, 2023, the Company did not grant any restricted share units ("**RSUs**") under the Plan.

	2023 Number of RSUs
As at January 1	18,802,634
Forfeited/cancelled during the period	(57,712)
Outstanding at March 31	**18,744,922**

NOTE 14 – REVENUE

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

	Three months ended March 31	
	2023	**2022**
Canada	3,994	2,955
International sales		
Australia	51	644
Germany	1,223	1,080
Other	575	198
	5,843	**4,877**
Canadian Adult Use and Wellness	3,530	2,489
International Medical Cannabis	1,815	1,276
Pharmaceutical and B2B	497	1,112
	5,843	**4,877**
Products transferred at a point in time	5,596	4,010
Products and services transferred over time	247	867
	5,843	**4,877**

For the three months ended March 31, 2023, the Company had only three customers (March 2022: four) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 21.3%, 12.4% and 11.0% of total revenue attributed to cannabis extracts and derivative products for the period ended March 31, 2023 (March 31, 2022: four customers represented 15.3%, 13.11%, 12.87% and 11.98%). The Company had no other customer that represented more than 10% of the Company's total revenues for the three months ended March 31, 2023.

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

NOTE 15 – EXPENSES BY NATURE

	Three months ended March 31	
	2023	**2022**
Inventory and consumables recognized in cost of sales	3,073	1,839
Employee benefits (3)	3,073	5,391
Depreciation and amortization	490	819
Consulting and professional fees	1,177	1,140
ECL on trade receivables (2)	(1,546)	144
Share based compensation expense (3)	747	741
Analytical testing	297	335
Supplies and small equipment	196	105
Rent and occupancy cost	130	209
Insurance	400	662
Advertising and promotion	373	395
Foreign exchange (gain) loss	39	(316)
Software and licenses	196	130
Other (1)	531	787
	9,176	**12,381**

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

(2) During the period, the Company received cannabis products valued at $1,546 as settlement for a long outstanding debt of $6,076. The Company has previously assessed this entire receivable as credit impaired and recorded an expected credit loss ("ECL") for the entirety of this receivable. The amount recovered has been recognized as income during the period and included in general administrative expenses. The remaining debt, which was fully provided for as at December 31, 2022, amounting to $4,530, has been written off.

(3) For the three-month period ended March 31, 2023, out of total share-based compensation expense of $747 (March 31, 2022: $741), general administrative expense portion is $646 (March 31, 2022: $581), marketing and selling expense portion is $59 (March 31, 2022: $56), cost of sales portion is $42 (March 31, 2022: $64) and research and development portion is $nil (March 31, 2022: $39).

NOTE 16 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company 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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by the subsidiaries of the Company under policies approved by the Company's Board of Directors.

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

NOTE 16 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

16.1 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 Company holds cash and cash equivalents of $20,150 (December 31, 2022: $24,145). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks or large credit unions.

At March 31, 2023, the exposure to credit risk for gross trade receivables, unbilled receivables and contract assets by the type of customer is as follows:

	March 31, 2023	December 31, 2022
Business to business customers	11,615	17,459
Distributors / Retailers	1,276	1,195
	12,891	**18,654**

As at March 31, 2023, the Group holds trade receivables from one customer representing 66% of total trade receivables (December 31, 2022: two customers representing 46% and 33%). The Company had no other customer that represented more than 10% of the Company's gross trade receivables.

The Company has legal collection proceedings with respect to $8,531 of the Company's trade receivable balance, which are all due from one customer (Note 11.2). The Group did not recognize any ECL for this trade receivable.

The Company limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from certain business-to-business customers before the shipment of the products. Also, the Company 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 Company recognized an allowance for expected credit losses in connection with its trade receivables and contract assets to an amount of $134 (December 31, 2022: $6,210). The aging of the Company's gross trade receivables at March 31, 2023 is as follows:

	March 31, 2023 Gross carrying amount	December 31, 2022 Gross carrying amount
Current (not past due)	3,346	3,255
1-30 days past due	820	213
31-90 days past due	69	480
90-270 days past due	108	-
>365 days	8,531	14,607
	12,874	**18,555**

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

NOTE 16 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

16.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period the Company held deposits at banks and financial institutions of $20,150 (December 31, 2022: $24,145) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

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

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

Contractual maturities of financial liabilities At March 31, 2023	**Less than 6 months**	**6-12 months**	**12-36 months**	**36-60 months**	**Total contractual cash flows**	**Carrying amount**
Trade and other payables	6,326	-	-	-	6,326	6,326
Lease liability	36	32	18	-	86	86
Loans and borrowings	132	-	-	-	132	132
Total financial liabilities	**6,494**	**32**	**18**	**-**	**6,544**	**6,544**

16.3 Market risk

Market risk is the risk that changes in market price - e.g. foreign exchange rates, interest rates and price risk – will affect the Company'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 Company's foreign currency exposure is due to USD, EUR and AUD foreign currency denominated transactions.

(ii) Price risk

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

NOTE 16 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

16.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company's shareholders' equity attributable to equity holders of the Parent and debt (consisting of the Company's loans and borrowings). As at March 31, 2023, total managed capital is $53,882 (December 31, 2022: $56,637). The Company'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 Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners or through debt financing.

NOTE 17 – 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 Interim Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company 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 Company'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. The fair value of equity investments are based on the financial statements of the investees.

The Company'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.

During the three months ended March 31, 2023, there were no transfers between levels.

NOTE 18 – SEGMENT INFORMATION

The Company operates in one reportable segment, the production and sales of cannabis extracts and derivative products. The Company's country of domicile is Canada. The carrying value of non-current assets located in Canada and outside of Canada is $17,685 and $nil (December 31, 2022: $18,150 and $nil), respectively and these assets are primarily made up of property, plant and equipment and deposits given for property, plant and equipment.

NOTE 19 – 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 20 – EVENTS AFTER THE REPORTING PERIOD

Acquisition of Vivo Cannabis Inc.

On April 1, 2023, the Company completed the acquisition of Vivo Cannabis Inc. ("VIVO") in an all-equity business combination transaction by way of a plan of arrangement under section 192 of the Canada Business Corporations Act (the "**Arrangement**").

VIVO shareholders are entitled to receive 0.2910 of a common share of the Company in exchange for each common share of VIVO they held immediately prior to closing of the Arrangement (the "Exchange Ratio"). In aggregate, the Company issued 107,930,964 common shares pursuant to the Arrangement to former VIVO shareholders as consideration for their common shares in VIVO. The exchange ratio included an adjustment of $750 advanced under secured promissory note to VIVO prior to closing of the acquisition.

Due to the limited period of time between the closing of the Acquisition and the issuance of these Interim Financial Statements, certain business combination disclosures required under IFRS 3 – Business Combinations, including the preliminary purchase price allocation, have not been provided as this information has not yet been determined. The Company is currently in the process for determining the accounting for the transaction.