MEDIPHARM LABS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

Independent Auditor's Report

To the Shareholders of MediPharm Labs Corp.:

Opinion

We have audited the consolidated financial statements of MediPharm Labs Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2 (ii) in the consolidated financial statements, which indicates that the Company incurred a net loss and negative cash flows from operations during the year ended December 31, 2023, and, as of that date, the Company had an accumulated deficit. As stated in Note 2 (ii), these events and conditions, along with other matters as set forth in Note 2 (ii), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Business combination

Key Audit Matter Description

The Company acquired VIVO Cannabis Inc. on April 1, 2023. The acquisition was accounted for as a business combination. Please refer to Note 4 of the consolidated financial statements for further details.

In determining the acquisition date fair value of the consideration paid, assets acquired, liabilities assumed, and the resulting gain on bargain purchase, management exercised a high degree of judgment to evaluate the significant assumptions used in determining these fair values including but not limited to, forecasted revenues, gross margin, discount rates, royalty rates, and historical data relating to replacement costs.

We considered this a key audit matter due to the extensive audit effort involved, including the use of valuation specialists due to the complexity of these assumptions and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

Audit Response

We responded to this matter by performing audit procedures in relation to an acquisition of a business. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained management's accounting analysis on the acquisition and assessed it for appropriateness in accordance with IFRS 3 Business Combinations;
- We evaluated the reasonability of key inputs used in the determination of the fair value of the consideration paid, assets acquired and liabilities assumed, such as forecasted revenues, gross margin, discount rates, royalty rates, and historical data;
- We involved our internal and external valuation specialists to review the valuation methodologies and assumptions used by management in the determination of the acquisition date fair values; and
- We obtained details of acquired working capital and tangible assets and assessed the reasonableness of their fair values as determined by management, including reviewing appraisals and other work performed by specialists engaged by management.

Other Matter

The consolidated financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2023.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jaspreet Chahal.

MNP LLP

Burlington, Ontario — Chartered Professional Accountants

March 26, 2024 — Licensed Public Accountants

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2023

CONTENTS PAGE

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and December 31, 2022
(All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		17,981	24,145
Trade and other receivables	7	5,866	12,876
Inventories	8	9,887	7,776
Biological assets	9	12	-
Other assets	10	1,094	1,590
Current tax receivable		-	129
		34,840	**46,516**
Assets held for sale	11	1,793	829
Total current assets		**36,633**	**47,345**
Non-current assets:			
Property, plant and equipment	12	25,272	18,111
Intangibles	12.2	1,032	39
Other assets	10	1,000	-
Total non-current assets		**27,304**	**18,150**
Total assets		**63,937**	**65,495**

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and December 31, 2022
(All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	December 31, 2023	December 31, 2022
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	15	6,750	7,121
Current employee benefit obligations	16	1,887	1,737
Loans and borrowings	13	2,226	598
Total current liabilities		**10,863**	**9,456**
Non-current liabilities:			
Loans and borrowings	13	69	34
Total non-current liabilities		69	**34**
Total liabilities		**10,932**	**9,490**
Equity:			
Common shares	17	200,244	191,256
Reserves		29,532	28,398
Accumulated other comprehensive loss		(39)	-
Accumulated deficit		(176,732)	(163,649)
Total equity		**53,005**	**56,005**
Total liabilities and equity		**63,937**	**65,495**

Going concern	2.1(ii)
Commitments and contingencies	14
Subsequent events	29

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 consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF LOSS
For the years ended December 31, 2023 and 2022
(All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	2023	2022
Revenue	19	36,819	24,983
Excise taxes		(3,757)	(2,866)
Net revenue		**33,062**	**22,117**
Cost of sales		(28,395)	(24,031)
Gross profit before change in fair value of biological assets		**4,667**	**(1,914)**
Realized fair value adjustment on sale of inventories	9	(679)	-
Unrealized gain on changes in fair value of biological assets	9	1,867	-
Gross profit		**5,855**	**(1,914)**
General administrative expenses	4,20	(15,095)	(16,546)
Marketing and selling expenses	20	(6,205)	(6,304)
Research and development expenses		(209)	(1,002)
Share-based compensation expense	17,22	(2,027)	(2,872)
Other operating expenses, net	21	(571)	(895)
Operating loss		**(18,252)**	**(29,533)**
Gain on bargain purchase	4	4,669	-
Loss on disposal of subsidiary, net	5,7	(251)	(906)
Unrealized gain in revaluation of derivative liabilities		-	2
Finance income	23	840	479
Finance expense	23	(365)	(31)
Loss before taxation		**(13,359)**	**(29,989)**
Taxation recovery	24	276	6
Net loss for the year		**(13,083)**	**(29,983)**
Basic and diluted loss per share	18	(0.04)	(0.11)

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2023 and 2022
(All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	2023	2022
Net loss for the year		**(13,083)**	**(29,983)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(39)	(30)
Total comprehensive loss for the year		**(13,122)**	**(30,013)**

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2023 and 2022

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

			Reserves					
	Number	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	8,627,715	706	(706)	-	-	-	-	-
Share based compensation	-	-	2,872	-	-	-	-	2,872
Transfer of non-controlling interest acquisition reserve upon disposal of subsidiary	-	-	-	4,323	-	-	(4,323)	-
Foreign exchange translation	-	-	-	-	-	(30)	-	(30)
Net loss for the year	-	-	-	-	-	-	(29,983)	(29,983)
Balance at December 31, 2022	**282,164,905**	**191,256**	**23,303**	**-**	**5,095**	**-**	**(163,649)**	**56,005**
Balance at January 1, 2023	**282,164,905**	**191,256**	**23,303**	**-**	**5,095**	**-**	**(163,649)**	**56,005**
Shares issued on exercise of RSUs (Note 17)	11,301,570	893	(893)	-	-	-	-	-
Shares issued for purchase of VIVO (Note 4)	107,930,964	8,095	-	-	-	-	-	8,095
Share based compensation (Note 17)	-	-	2,027	-	-	-	-	2,027
Foreign exchange translation	-	-	-	-	-	(39)	-	(39)
Net loss for the year	-	-	-	-	-	-	(13,083)	(13,083)
Balance at December 31, 2023	**401,397,439**	**200,244**	**24,437**	**-**	**5,095**	**(39)**	**(176,732)**	**53,005**

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	2023	2022
Cash flows from operating activities:			
Net loss for the year		(13,083)	(29,983)
Adjustments for:			
Depreciation and amortization	12	2,516	2,872
Impairment loss on asset held for sale	11	40	81
Loss on sale of subsidiary	5,7	251	906
Write down of inventory	8	1,526	1,288
Change in fair value of biological assets	9	(1,188)	-
Loss (gain) on disposal of property, plant and equipment		(173)	7
Impairment of property, plant and equipment	12	183	-
Change in expected credit loss	7,25	(1,922)	134
Finance (income) and finance expense		(475)	(448)
Gain in revaluation of derivative liabilities		-	(2)
Unrealized foreign exchange difference		191	-
Deferred income		-	(11)
Share based compensation		2,027	2,872
Gain on bargain purchase	4	(5,682)	-
Grant income		-	(24)
		(15,789)	**(22,308)**
Change in trade and other receivables	7	6,291	3,618
Change in inventories	8	3,114	(103)
Changes in biological assets	9	153	-
Change in other assets	10	(1,221)	1,754
Change in trade and other payables	15	(5,166)	1,491
Change in other current tax receivable	24	129	(6)
Change in current employee benefit obligation		150	(515)
Net cash used in operating activities		**(12,339)**	**(16,069)**
Cash flows from investing activities:			
Capital expenditures	12	(471)	(863)
Cash acquired from business combination	4	1,013	-
Proceeds from sale of assets held for sale	11	1,903	7
Proceeds from sale of property, plant and equipment		178	-
Proceeds from disposal of subsidiary	5	4,249	6,014
Net cash provided by (used in) investing activities		**6,872**	**5,158**
Cash flows from financing activities:			
Loan received	13	1,066	1,341
Repayment of loans and borrowings	13	(1,762)	(818)
Interest received		840	405
Interest paid		(264)	(26)
Payment of lease liabilities		(248)	(130)
Proceeds from grant income		-	24
Net cash provided by financing activities		**(368)**	**796**
Effects of exchange rate changes		**(329)**	**150**
Decrease in cash and cash equivalents		**(6,164)**	**(9,965)**
Cash and cash equivalents at the beginning of the year		**24,145**	**34,110**
Cash and cash equivalents at the end of the year		**17,981**	**24,145**
Supplementary cashflow information			
Income taxes refund received		273	6

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

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

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 cannabis, purified and pharmaceutical-like cannabis extracts, related derivative products and cannabis related medical information and services. Its operating subsidiaries are the holders of cultivation, standard processing, and research licences under the *Cannabis Act* (Canada) (the "**Canadian Licences**"). The Canadian Licences allow for the cultivation of cannabis, 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 Company's subsidiary, Harvest Medicine provides clinic services to Canadian patients requiring medical cannabis education and prescriptions.

The Company's international subsidiaries, Beacon Medical Germany GmbH and Beacon Medical Australia Pty Ltd, market and distribute branded medical cannabis products within the regulations of their respective regions.

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

These consolidated financial statements of the Company as at and for the year ended December 31, 2023 (the "Consolidated Financial Statements"), include the financial statements of the Company and its wholly owned subsidiaries. Throughout these Consolidated Financial Statements, unless the context indicates or requires otherwise, the terms the "Company", "MediPharm", "we", "us" and "our" refer to MediPharm Labs Corp. together with its subsidiaries. The Company's subsidiaries are stated below:

Subsidiaries	Registered Country
MediPharm Labs Inc. ("MPL")	Canada
MPL Property Holdings Inc.	Canada
ABcann Medicinals Inc. (1)	Canada
Canna Farms Limited (1)	Canada
Harvest Medicine Inc. (1)	Canada
Green Earth Realty Inc. (1)	Canada
Beacon Medical Germany GmbH (1)	Germany
Beacon Medical Australia Pty Ltd (1)	Australia
2612785 Ontario Inc.	Canada
MPL International Holdings Inc.	Canada
VIVO Cannabis Inc. ("VIVO") (1)	Canada
MPL Manufacturing Inc.	Canada
Patients' Choice Botanicals Inc. (1)	Canada
Universal Botanicals Inc. (1)	Canada
2649924 Ontario Inc. (1)	Canada
1000652011 Ontario Inc. (2)	Canada

(1) These wholly owned subsidiaries were acquired during the year (Note 4).
(2) This wholly owned subsidiary was incorporated and disposed during the year (Note 7).

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

On March 26, 2024, the Board of Directors of the Company approved these Consolidated Financial Statements.

(ii) Going concern

These Consolidated 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 year ended December 31, 2023, the Company used cash in operating activities of $12,339 (December 31, 2022: $16,069). As of December 31, 2023, the Company had a working capital balance of $25,770 (December 31, 2022: $37,889) and an accumulated deficit of $176,732 (December 31, 2022: $163,649). As of December 31, 2023, the Company had cash and cash equivalents of $17,981 (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 on April 1, 2023. The Company continues to explore further consolidation opportunities within the cannabis industry and expects to actualize new acquisitions in the near future. A new acquisition could result in significant use of cash and cash equivalents to fund the operations of the combined entity and without achieving significant synergies for the combined entity, the Company may require additional financing to fund the combined operations. Considering potential acquisitions and the continued economic outlook for the cannabis industry, 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 Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, and such adjustments could be material.

(iii) Historical cost convention

These Consolidated Financial Statements have been prepared on a historical cost basis, except certain financial assets, assets held for sale, biological assets, and derivative liabilities which are expressed at their fair values as described in this note. In addition, these Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

(iv) Foreign currency translation

Functional and presentation currency

The Company and its Canadian subsidiaries' functional currency, as determined by management, is the Canadian dollar. The functional currencies of the Company's German and Australian subsidiaries are the Euro and Australian dollar, respectively. These Consolidated Financial Statements are presented in Canadian dollars as this is the currency of the primary economic environment in which the Company operates ("the functional currency"). These Consolidated Financial Statements are presented in Canadian Dollars, which is the Company's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the respective entity's functional currency using the exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are re-measured to the functional currency of the Company at the exchange rate at the reporting date and the date they are settled. Non-monetary items that are based on historical cost in a foreign currency are translated into the functional currency of the Company entity using the exchange rate at the date of the transaction. Foreign currency gains and losses due to translating and settling foreign currency transactions are reported in the consolidated statements of loss on a net basis.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities are translated at the closing rate at the date of that statement of financial position
- income and expenses are translated at average exchange rates and
- all resulting exchange differences are recognized in other comprehensive income/(loss).

(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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(v) Basis of consolidation

Subsidiaries

The proportion of voting power held by the parent company, MediPharm Labs Corp. and its subsidiaries and the total proportion of ownership interests at December 31 are presented below:

Subsidiaries	Proportion of voting power held by the Company (%) 2023	(%) 2022
MediPharm Labs Inc.	100%	100%
MPL Property Holdings Inc.	100%	100%
MPL Manufacturing Inc.	100%	100%
2612785 Ontario Inc.	100%	100%
MPL International Holdings Inc.	100%	100%
VIVO Cannabis Inc.	100%	0%
ABcann Medicinals Inc.	100%	0%
Canna Farms Limited	100%	0%
Harvest Medicine Inc.	100%	0%
Green Earth Realty Inc.	100%	0%
Patients' Choice Botanicals Inc.	100%	0%
Universal Botanicals Inc.	100%	0%
Beacon Medical Germany GmbH	100%	0%
Beacon Medical Australia Pty Ltd	100%	0%
2649924 Ontario Inc.	100%	0%
1000652011 Ontario Inc.	0%	0%

Subsidiaries are companies in which MediPharm Labs Corp. has the ability to control the financial and operating policies for the benefit of MediPharm Labs Corp. through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly by itself.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of loss and consolidated statements of comprehensive loss from the date the Company gains control of the subsidiary until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full upon consolidation.

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

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 these Consolidated 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

The company also adopted the following standards effective April 1, 2023 as a result of a business combination (Note 4).
- IAS 41 – Agriculture

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 Consolidated Financial Statements requires the use of accounting estimates and exercise of judgement in applying the Company'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 year in which the estimates are revised and in any future years 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 Consolidated Financial Statements are described below:

(i) Expected loss rate

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 year.

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

(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 17.2.

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

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

The assessment of any impairment of the Company's property, plant and equipment and intangible assets 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 Cash Generating Unit ("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 judgement when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal.

(iv) Valuation of biological assets and inventories

The Company is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis up to the point of harvest, pre-harvest and post-harvest costs, expected sales price, and expected yields for cannabis plants to be harvested. The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventories and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for 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 selling prices.

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

(v) Business combination

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition based on the facts and circumstances of the transaction in relation to the criteria listed in IFRS 3 Business Combinations. Determining the purchase price of a business combination, including any acquisition-related contingent consideration, and determining the allocation of the purchase price requires estimation of the fair value of the non-cash consideration and fair value of the assets acquired and liabilities assumed. Market based and appraisal values are used. The Company's significant assumptions used in determining the acquisition-date fair values of intangible assets include estimated net cash flows attributable to the specific acquired intangible assets, customer attrition rate, royalty rates, and discount rates. The Company's significant assumptions used in determining the acquisition-date fair values of long-lived assets include estimated construction costs, third party selling prices for land and buildings, current estimated cost to purchase or replace similar assets, and inflation indices.

NOTE 3 - MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in preparation of these Consolidated Financial Statements are summarized below:

3.1 Cash and cash equivalents

Cash and cash equivalents include bank deposits and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.2 Biological assets

The Company measures biological assets, consisting of cannabis plants, at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of inventories after harvest. Unrealized gains or losses arising from the changes in fair value less costs to sell during the year are included in the consolidated statement of loss and comprehensive loss for the related year.

The Company does not recognize the mother plants used for cloning the production cannabis plants on the consolidated statement of financial position, since such plants are considered as 'bearer plants', which are used in the production or supply of agricultural produce; and are expected to bear produce for more than one period per IAS 16 – Property, Plant and Equipment – having a useful life of less than one year.

All production costs related to biological assets are expensed as incurred and are included in cost of sales under production salaries and wages, amortization and depreciation and supplies in the consolidated statement of loss and comprehensive loss for the related year. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment.

3.3 Inventories

Inventories are measured at the lower of cost and net realizable value (Note 8). Cost comprises of direct materials, direct labour and an allocation of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Internally produced cannabis is transferred from biological assets at its fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ("**OCI**") or through profit or loss)
- those to be subsequently measured at amortized cost

The classification of the financial assets between these two categories depends on the Company's business model for managing the financial assets and the contractual terms of the relating cash flows.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, if the financial asset is not measured at fair value through profit or loss ("**FVPL**"). Transaction costs of financial assets carried at FVPL are expensed upon recognition in the consolidated statements of loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income, if any, from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss.
- Fair value through other comprehensive income ("**FVOCI**"): Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest are classified as FVOCI and are measured at fair value subsequent to initial recognition with changes in fair value recognized in the consolidated statements of other comprehensive loss. The Company may make irrevocable elections at initial recognition for particular investments in equity instruments that would otherwise be measured at

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. As of December 31, 2023, the Company does not have any financial assets classified as FVOCI.

- FVPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as FVPL and are measured at fair value subsequent to initial recognition with changes in fair value recognized in the consolidated statements of loss. As of December 31, 2023, the Company does not have any financial assets classified as FVPL.

The Company measures all equity investments at fair value subsequent to initial recognition. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

The Company assumes that the credit risk on an amount due from a customer has increased significantly if it is more than 180 days past due, unless there is an agreed payment plan or collateral. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company, without recourse by the Company to actions such as realizing security (if any is held); however, this excludes the ones which are subject to legal proceedings and are expected to be fully collected.

The financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company individually makes an assessment of its customers outstanding balances with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from amounts written off.

3.5 Assets held for sale

Non-current assets are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

3.6 Property, plant and equipment

Property, plant and equipment are carried at acquisition costs less accumulated depreciation. Depreciation is recognized using the straight-line method based on the estimated useful lives of the assets (Note 12).

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

The depreciation periods for property, plant and equipment, which approximate the useful life of assets, are as follows:

Building and building improvements	5-40 years
Machinery, plant and equipment	5-8 years
Security equipment	5 years
Computers	3 years
Leasehold improvements	shorter of lease or 10 years
Motor vehicles	5 years
Office equipment	5 years
Right-of-use assets	1-5 years

Land is not depreciated due to having infinite useful life.

Construction in progress is not depreciated until the assets are available for use.

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at the end of each reporting period.

Gains or losses on disposals of property, plant and equipment are measured by comparing proceeds with carrying amounts.

The normal maintenance and repair costs incurred for property, plant and equipment are expensed as incurred. Expenditure on property, plant and equipment, which increases the future utility of the assets is added to the cost of the property, plant and equipment.

3.7 Intangible assets

Intangible assets includes the licenses and brand acquired by the Company and is amortized with a limited useful life of between 5 and 10 years using straight line method. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization methods, useful lives and residual values are reviewed at each reporting period date and adjusted, if appropriate.

3.8 Impairment of non-financial assets

Non-financial assets (other than inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal, and its value in use. If the carrying amount exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount exceeds the recoverable amount. Impairment losses are allocated to reduce the carrying

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

amounts of the other non-financial assets in the CGU on a pro-rata basis. An impairment loss is subsequently reversed only to an amount that is the lesser of the revised estimate of recoverable amount, and the carrying amount, net of depreciation or amortization, that would have been recorded at the date of the reversal had no impairment loss been recognized previously. As at December 31, 2023, the Company had three CGUs being cannabis operations in Canada, ("Canadian CGU"), clinic operations ("HMED CGU") and international medical cannabis operations ("International Medical CGU").

3.9 Taxes

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Income tax recovery/(expense) is recognized in the consolidated statements of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive (loss)/income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

3.10 Trade payables

Trade payables are unsecured liabilities for goods and services provided to the Company prior to the end of the financial year which remain unpaid at year end. Trade payables (Note 15) are presented as current liabilities unless payment is not due within 12 months after the reporting period.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

3.11 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. At initial recognition, the Company measures financial liabilities at its fair value plus transaction costs that are directly attributable to the acquisition of the financial liability, if the financial liability is not measured at fair value through profit or loss. Transaction costs of financial liability carried at FVPL are expensed upon recognition in the consolidated statements of loss. Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statements of loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Fees paid on the establishment of financial liability are recognized as transaction costs. Interest expense and foreign exchange gains and losses are recognized in the consolidated statements of loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statements of loss.

Financial liabilities are classified as current liabilities, if they are payable within 12 months of the reporting date, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.12 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the Consolidated Financial Statements and treated as contingent assets (Note 14).

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

3.13 Revenue recognition

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Costs to obtain a contract that would have been incurred irrespective of whether the contract was obtained are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer irrespective of whether the contract is obtained.

The Company generates revenue from the sale of cannabis and cannabis related products and services and recognizes revenue for such as follows:

Canadian Adult Use and Wellness: This includes the sale of finished consumer packaged cannabis-based products such as cannabis oil, vapes, dry flower, pre-rolls and soft chews. These products are sold to the provincial distributors. Revenue is recognized when the products are delivered to the customers. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data for specific types of products.

Canadian Medical Cannabis: This stream includes products that are sold to patients through the domestic medical channels such as the Canna Farms medical platform and through other licensed producers' medical channels. It also includes the Company's medical clinic business, Harvest Medicine ("HMED"). HMED consists of education-focused, patient-centric, cannabis discovery clinics, which conduct registered patient visits through its clinics and clinic partnerships, and via its telemedicine platform. HMED also offers pharmacy consultations as an additional service offering for patients as part of their medical cannabis care. Revenue is recognised on a per visit basis once the consultation is complete. The Company is contracted by third party licenced producers ("LPs") to provide educational services to patients with regards to the appropriate use of medical cannabis, and the specific products offered by the LPs. The Company charges the LPs a non-refundable referral fee for educational services provided to patients using an agreed upon transaction price, that is received by the Company once a patient procures the related medical cannabis from the LPs.

International Medical Cannabis: This includes the sale of GMP tinctures, GMP dry flower, and GMP vapes to international customers outside of Canada. Revenue is recognized when the products are dispatched from the Company's warehouse or contracted third party's warehouse, or in accordance with the terms of the sales agreement. International medical contracts might require advance payments by customers. Such advance receipts are included in contract liabilities until the revenue recognition criteria is met (Note 15). Revenue recognized is adjusted for expected rebates.

Pharmaceutical and Business-to-Business ("B2B"): This includes the sale of bulk cannabis-based products such as cannabis concentrate, distillate and isolate to domestic and international customers. Bulk isolate

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

includes pharmaceutical grade cannabinoids in isolate and finished good forms produced using our Canadian Drug Establishment Licence ("DEL") and sold to pharmaceutical customers. For our pharma and academic partners, we also provide a range of clinical and R&D capabilities including Clinical Trial Materials for Phase 2-3 Drug Trials and revenue is recognised once the performance obligations defined in the service agreement have been satisfied. Also included in this stream are contract manufacturing activities where we produce finished goods and various manufacturing steps for other licenced producers. Revenue for bulk sales is recognized when the bulk products are dispatched from the Company's warehouse or contracted 3rd party's warehouse. B2B contracts might require advance payments by customers. Such advance receipts are included in contract liabilities (Note 15).

Under the contract manufacturing agreements, customers supply direct materials to the Company for processing into finished goods. The customer controls all the materials it supplies and work in progress as the products are being processed. Under the contract manufacturing service arrangements, the finished products are made to the customer's specification and if a contract is terminated by the customer, the Company is entitled to reimbursement of the costs incurred to date, including a reasonable margin. As such, revenue for tolling arrangements is recognized over time. Progress is determined based on the output method. Amounts not yet invoiced but to which the Company is entitled are presented as contract assets (Note 7).

For contracts that permit the customer to return an item, a refund liability and a right to recover returned goods asset are recognized. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in other current assets. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

The Company also enters bill and hold arrangements with customers for certain productions. Revenue for bill and hold arrangements is recognized when the control of the finished product passes to the customer, which is when the product is ready for physical transfer to the customer and the customer accepts the product. Revenue for bill and hold arrangements is only recognized when the Company does not have the ability to use the product for other purposes and when the bill and hold arrangement is requested by the customer for substantive reasons.

3.14 Employee benefits

Short term obligations

Liabilities for employee compensation, including annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

Employees (including the senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

The Company measures the cost of share-based compensation by estimating the fair value of the option or restricted share unit ("RSU") at the date when the grant is made using the Black Scholes Valuation Model. That cost is recognized in share-based compensation expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based payments reserve to share capital.

3.15 Earnings/(loss) per share

The Company presents basic and diluted earnings/(loss) per share data for its Common Shares. Basic earnings/(loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of Common Shares outstanding during the year. Diluted earnings/(loss) per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of Common Shares outstanding, adjusted for the effects of all dilutive potential Common Shares issuable. In a period of losses, the warrants, options and non-vested RSUs are excluded for the determination of dilutive net loss per share because their effect is antidilutive.

3.16 Government grants

Grants from the government are recognized at their fair value when there is reasonable assurance that the grant will be received, and the Company will comply with all conditions attached to the grant. The Company recognizes unconditional government grants that compensate the Company for expenses incurred in the consolidated statements of loss as other operating expenses on a systematic basis in the years in which the expenses are recognized.

NOTE 4 – BUSINESS COMBINATION

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 received 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 all the common shares in VIVO.

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

NOTE 4 – BUSINESS COMBINATION (Continued)

The Company's allocation of the Purchase Price is as noted in the table below.

	Provisional at acquisition	Adjustment	Final
Consideration paid			
Common Shares issued	8,095	-	8,095
Total consideration	**8,095**	**-**	**8,095**
Fair value of net assets acquired			
Cash and cash equivalents	1,013	-	1,013
Trade and other receivables	2,154	-	2,154
Prepaids and deposits	283	-	283
Inventories	4,017	-	4,017
Biological assets	165	-	165
Property, plant & equipment	11,710	572	12,282
Intangible assets	880	-	880
Trade and other payables	(4,795)	-	(4,795)
Lease liabilities	(179)	-	(179)
Convertible debentures	(2,306)	-	(2,306)
Total identifiable net assets acquired	**12,942**	**572**	**13,514**
Gain on bargain purchase	**(4,847)**		**(5,419)**
Settlement of pre-existing relationship	-		750
Net gain on bargain purchase	**(4,847)**		**(4,669)**

The settlement of the pre-existing relationship relates to cash advanced to VIVO before the acquisition date.

Based on management's review of relevant information received after the acquisition date for circumstances that existed at the acquisition date, adjustments were made to the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price previously reported was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date. As at December 31, 2023, management finalized its purchase price allocation for the fair value of identifiable assets acquired and liabilities assumed.

The intangible assets acquired comprise brands, licences, and GMP certification. Brands acquired under the VIVO acquisition include Canna Farms, Beacon Medical and Harvest Medicine brands under which VIVO sells medical and adult-use cannabis and cannabis products in the domestic and international cannabis markets. The brands are subject to amortization with estimated useful lives between 5 to 10 years. The licenses acquired consist of VIVO's cultivation, processing and sales licenses and are subject to amortization over estimated useful lives of 5 years. GMP certification is subject to amortization over a useful life of 10 years.

The primary reason for the acquisition is attributed to the achievement of synergies expected from integrating VIVO and the Company. Gain on bargain purchase is calculated as the excess of the net assets identified as at acquisition date in comparison to the consideration paid. The Company purchased VIVO at

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

NOTE 4 – BUSINESS COMBINATION (Continued)

a favourable price due to its financial condition, which resulted in a gain on bargain purchase of $4,669. Gain on bargain purchase is not taxable.

The Company recognized $882 in transaction costs in the consolidated statement of comprehensive loss in connection with the VIVO acquisition. These costs are included in general and administrative expenses in the Financial Statements.

From the date of acquisition, VIVO Cannabis Inc. contributed $14,789 of net revenue and $1,636 to the net loss of the Company.

If the acquisition had occurred at the beginning of the year, the revenue and net loss of the combined entity for the year ended December 31, 2023 would have been $38,555 and $25,609 respectively.

NOTE 5 – DISPOSAL OF SUBSIDIARIES

Disposal of 1000652011 Ontario Inc.

Effective September 29, 2023, the Company sold its wholly owned subsidiary, 1000652011 Ontario Inc. As at the disposal date, 1000652011 Ontario Inc. had net assets of $4,500, which comprise entirely of trade receivables due from one customer. During the year, the Company received 1,573,152 common shares of the purchaser as consideration for the disposal of the subsidiary. The shares were sold and the Company realized net proceeds of $4,249. Accordingly, the Company recognized a loss on sale of subsidiary amounting to $251 (Note 7).

Disposal of MPL Australia

On October 6, 2022, the Company completed the disposal of MPL Australia, formerly its wholly-owned subsidiary, for net proceeds of $6,341.

Loss on disposal
As a result of the disposal, a net loss on disposal arose as follows:

	2022
Cash proceeds	6,014
Consideration receivable	327
Net assets at disposal	(7,486)
Reclassification of foreign currency translation reserve	239
Loss on disposal	**906**

The reclassification of the foreign currency translation reserve represents the cumulative foreign currency differences previously included in shareholders equity since the date of acquisition. The net loss was a result of remeasuring the asset and liabilities of MPL Australia to fair values less costs to sell upon meeting the asset held for sale criteria (which were less than their carrying values) offset by the remeasurement upon disposal.

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

NOTE 6 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	December 31, 2023	December 31, 2022
Financial assets at amortized cost		
Cash and cash equivalents	17,981	24,145
Trade and other receivables (Note 7)	4,515	12,876
Financial liabilities at amortized cost		
Trade and other payables (Note 15)	6,750	7,121
Current employee benefit obligations (Note 16)	1,887	1,737
Loan and borrowings (Note 13)	2,295	632

The Company does not hold any financial instruments measured at fair value.

NOTE 7 – TRADE AND OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Trade receivables, net	5,515	12,345
Other receivables	79	501
HST/GST/VAT receivable	272	30
	5,866	**12,876**

	December 31, 2023	December 31, 2022
Gross trade receivable		
Customer receivable #1 (1)	-	8,531
Customer receivable #2 (2)	-	6,076
Other customers	5,723	3,948
Gross trade receivables	**5,723**	**18,555**
Expected credit losses		
Customer receivable #1 (1)	-	-
Customer receivable #2 (2)	-	6,076
Other customers	208	134
Expected credit losses	208	6,210
Trade receivables, net	5,515	12,345

(1) As at December 31, 2023, the Company has $1,000 (December 31, 2022, receivables of $14,607) in prepaids and deposits in connection with previous receivables that were over 365 days overdue with one customer. The Company had initiated legal proceedings to collect $8,531 (Note 14.2) due from this customer and did not recognize 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

NOTE 7 – TRADE AND OTHER RECEIVABLES (Continued)

awarded $9,800 plus interest and costs (Note 14.2). On August 23, 2022, the defendant in the Claim filed a Notice of Appeal to the summary judgement 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, and subsequently adjourned to October 12, 2023.

Effective, September 29, 2023, the Company entered into a settlement agreement with this customer under which, the Company will receive a total value of $8,500 and the customer will abandon its appeal against the Company. The settlement consideration was $3,000 cash payment; $4,500 in common shares of the customer's publicly traded parent entity and $1,000 in cannabis products (included in prepaids and deposits in other assets), including high-quality flower and extractable bio-mass to be received at a future date. In addition, the Company and the customer entered into a $500 supply agreement to provide the customer with the Company's products and services over four-years.

In connection with the settlement agreement, the Company incorporated a wholly owned subsidiary, 1000652011 Ontario Inc., and transferred $4,500 of the trade receivables due from this customer to the subsidiary. Effective September 29, 2023, the Company sold its wholly owned subsidiary, 1000652011 Ontario Inc., which held $4,500 of the trade receivables due from this customer as at September 29, 2023, to the parent of the customer. As at the disposal date, 1000652011 Ontario Inc. had net assets of $4,500, which comprise entirely of trade receivables due from the customer. The common shares to be received in connection with the settlement agreement is the consideration for the sale of the subsidiary. During the year, the Company received cash payment of $3,000 and 1,573,152 common shares as consideration for the disposal of the subsidiary. The shares were sold and the Company realized net proceeds of $4,249. Accordingly, the Company recognized a loss on sale of subsidiary amounting to $251. The Company also recorded bad debt expense of $31 with respect to the receivable from the customer.

(2) As at December 31, 2022, the Company had a second customer with trade receivables of $6,076 that were 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 outstanding commitment to purchase dry flower in the amount of $5,329 from the counterparty (Note 14.1). The Company also recovered taxes amounting to $464 in relation to this receivable. The $2,010 recovery of ECL is included in other operating expenses in the statement of profit and loss.

Credit risk and aging analysis related to trade receivables are included in Note 25.2.

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.

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

NOTE 8 – INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	2,198	562
Finished goods	6,418	5,550
Consumables and packages	1,271	1,664
	9,887	**7,776**

Raw material inventory is comprised of bulk dried cannabis flower (for extraction purposes, making pre-rolls or packaged flower) and trim produced internally and acquired from third party licensed cannabis cultivators. Finished goods inventory is comprised of all packaged products ready for sale and semi-finished bulk products (formulated concentrates, formulated distillates, oil, vapes, and edibles). Consumables include medium-chain triglyceride ("MCT") oil used in the production of formulated oil, terpenes used in oil formulation and packaging and product hardware materials.

For the year ended December 31, 2023, the Company recognized write downs of the carrying value of its inventories of $1,526 (December 31, 2022: $1,288) in cost of sales.

As at December 31, 2023 $155 (December 31, 2022 - $275) in inventory were measured at fair value less costs to sell.

NOTE 9 – BIOLOGICAL ASSETS

	2023	2022
As at January 1	-	-
Recognized on business combination (Note 4)	165	
Unrealized gain on changes in fair value of biological assets	1,867	-
Transfer to inventories upon harvest	(2,020)	-
As at December 31	12	**-**

As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates, by their nature, are subject to changes and inaccuracies that could result in future gains or losses in the value of biological assets. Changes in these estimates could result from volatility of sales prices, changes in yields, and variability of the costs incurred to complete a harvest. Prior to harvest, all production costs are expensed.

As at December 31 2023, the Company's biological assets were, on average, 17% complete and it was expected that the biological assets would yield approximately 24 kg of dry flower and 2 kg of trim. As at December 31, 2023, the Company had 398 plants that were biological assets.

The Company values its biological assets at the end of each reporting period at fair value less costs to sell.

NOTE 9 – BIOLOGICAL ASSETS (Continued)

This is determined using a valuation model that calculates biological asset value by estimating the expected yield of each plant at harvest, prorated based on the stage at which the plant is in its lifecycle, multiplied by the survival rate of plants at this stage in their life cycles; the estimated per-gram fair value for the expected yield (different fair values are applied for trim and dry flower yield), and the processing and selling costs (which are deducted). The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- Average number of weeks in the growing cycle is sixteen weeks from propagation to harvest. The Company considers plants less than 3.5 weeks of age to be in the cloning stage; between 3.5 and 6 weeks to be in the vegetative state; and more than 6 weeks to be in the flowering stage.
- Expected average harvest yield is 71g per plant, approximately 93% of which is dry flower and 7% is trim.
- Expected average fair value of $3.35 per gram for flower products and $0.07 per gram for trim at the time of harvest.
- Expected average cost to complete harvest and cost of post-harvest activities to prepare bulk product is $0.60 per gram.

The expected average fair values were determined by using recent bulk flower purchases and the Company's historical purchases and sales, and the Company's expected purchase price going forward. The estimates of growing cycle, harvest yield and costs per gram are based on the Company's historical results. These assumptions are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. No sensitivity is disclosed due to immaterial amount of biological assets held at December 31, 2023.

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

NOTE 10 – OTHER ASSETS

	December 31, 2023	December 31, 2022
Current assets		
Deposits and down payments (1)	265	756
Prepaid insurance	635	688
Other (2)	194	146
	1,094	**1,590**

	December 31, 2023	December 31, 2022
Non-current assets		
Deposits and down payments (1)	1,000	-
	1,000	**-**

(1) Deposits and down payments primarily include the down payments to suppliers for the purchase of inventory. The non-current deposits relate to inventory credit received from one of the Company's customers in connection with the settlement of a long outstanding receivable (Note 7).

(2) Other includes prepaid expense for rent, software maintenance services, professional services, and software licenses.

NOTE 11 – ASSETS HELD FOR SALE

Lands

As at December 31, 2023, management was committed to a plan to sell two pieces of land acquired by the Company as part of the Company's acquisition of VIVO: Vanluven Road in Napanee, Ontario and Yale Road in Hope, British Columbia. Accordingly, the Company has presented these lands as held for sale. Efforts to sell the lands have commenced and a sale is expected within the next twelve months.

During the year, one of the surplus properties, Kimmetts Side Road in Napanee Ontario, previously classified as held for sale was sold for net consideration of $1,903 and the Company recorded an impairment of $17 in respect of this property. The Company also recorded an impairment loss of $23 on the Vanluven Road property during the year. The fair value less costs to sell the remaining lands as of December 31, 2023 was $964 (December 31, 2022: $nil). For the year ended December 31, 2023, the Company recognized impairment losses of $183 to write-down the lands to their lower of carrying amount and fair value less costs to sell. The impairment losses have been recognized in other operating expense in the Consolidated Financial Statements.

Subsequent to December 31, 2023, the Company sold the land at Vanluven Road in Napanee, Ontario for net proceeds of $219.

Production machinery

Assets held for sale includes also 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 December 31, 2023 was $829 (December 31, 2022: $829). The Company has received proceeds for the sale of these assets amounting to $829, which have been included in contract liabilities in Note 15. Subsequent to the year ended December 31, 2023, the acquiring entity took possession of the assets and the Company offset the balance in asset held for sale against the contract liabilities.

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	January 1, 2023	Additions	Additions from business combination (Note 4)	Transfers (2)	Impairment (Note 11)	Transfer to Assets held for sale	Disposals	December 31, 2023
Cost								
Land	1,523	-	4,380	-	(183)	(2,907)	-	2,813
Building and building improvements	20,934	30	6,790	83	-	-	-	27,837
Leasehold improvements	209	-	-	-	-	-	-	209
Computers	1,365	7	8	-	-	-	-	1,380
Office equipment	207	-	48	-	-	-	-	255
Machinery and plant equipment	15,108	134	967	86	-	-	(470)	15,825
Motor vehicles	37	-	-	-	-	-	-	37
Security equipment	738	-	-	-	-	-	-	738
Construction in progress (1)	2,596	75	-	(169)	-	-	-	2,502
Right-of-use assets (Note 12.1)	437	132	89	-	-	-	-	658
	43,154	**378**	**12,282**	**-**	**(183)**	**(2,907)**	**(470)**	**52,254**
Less: Accumulated depreciation and impairment losses								
Building and building improvements	8,479	848	-	-	-	-	-	9,327
Leasehold improvements	146	8	-	-	-	-	-	154
Computers	1,279	65	-	-	-	-	-	1,344
Office equipment	156	45	-	-	-	-	-	201
Machinery and plant equipment	11,450	1,278	-	-	-	-	(465)	12,263
Motor vehicles	26	7	-	-	-	-	-	33
Security equipment	674	44	-	-	-	-	-	718
Construction in progress	2,410	-	-	-	-	-	-	2,410
Right-of-use assets (Note 12.1)	423	109	-	-	-	-	-	532
	25,043	**2,404**	**-**	**-**	**-**	**-**	**(465)**	**26,982**
Net book value	**18,111**							**25,272**

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	January 1, 2022	Additions	Disposals	Transfers (2)	Disposal of subsidiary (3)	Exchange difference	December 31, 2022
Cost							
Land	1,863	-	-	-	(329)	(11)	1,523
Building and building improvements	24,786	191	-	911	(4,778)	(176)	20,934
Leasehold improvements	209	-	-	-	-	-	209
Computers	1,873	3	-	-	(494)	(17)	1,365
Office equipment	259	-	-	-	(48)	(4)	207
Machinery, plant & equipment	15,969	486	(29)	794	(1,966)	(146)	15,108
Motor vehicles	37	-	-	-	-	-	37
Security equipment	743	-	-	-	(4)	(1)	738
Construction in progress (1)	4,494	183	-	(1,705)	(272)	(104)	2,596
Right-of-use assets (Note 12.1)	1,086	18	(667)	-	-	-	437
	51,319	**881**	**(696)**	**-**	**(7,891)**	**(459)**	**43,154**
Less: Accumulated depreciation and impairment							
Building and building improvements	8,059	896	-	642	(1,050)	(68)	8,479
Leasehold improvements	139	8	-	-	-	(1)	146
Computers	1,407	350	-	-	(437)	(41)	1,279
Office equipment	151	38	-	-	(30)	(3)	156
Machinery, plant & equipment	10,675	1,417	(15)	177	(761)	(43)	11,450
Motor vehicles	19	7	-	-	-	-	26
Security equipment	623	59	-	-	(2)	(6)	674
Construction in progress	3,354	-	-	(819)	-	(125)	2,410
Right-of-use assets	998	92	(667)	-	-	-	423
	25,425	**2,867**	**(682)**	**-**	**(2,280)**	**(287)**	**25,043**
Net book value	**25,894**						**18,111**

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

(1) Construction in progress consists of the machinery in the installation process and renovation and expansion of building.

(2) Certain construction in progress assets were transferred to other classes within property, plant and equipment upon completion of the construction and installation.

(3) On October 6, 2022, the Company completed the disposal of MPL Australia for net proceeds of $6,341 (Note 5).

(4) The Company performs test of impairment of its CGUs when there are indicators of impairment. During the year ended December 31, 2023, the Company identified the slower than anticipated increase of its revenues and reduced share price as indicators of impairment for its Canadian CGUs and after performing an impairment assessment which included obtaining third-party appraisals, the Company recognized a $nil impairment loss for the respective CGUs.

12.1 Right-of-use assets

The Company leases assets including land, building, equipment, motor vehicles and IT equipment. The details of the asset types where the Company 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 year ended December 31, 2023, is $59 (December 30, 2022: $4).

	January 1, 2023	Additions	Additions from business combination (Note 4)	Disposal	December 31, 2023
Cost					
Right-of-use assets					
-Land	117	-	-	-	117
-Building	121	132	89	-	342
-Equipment	167	-	-	-	167
-IT equipment	32	-	-	-	32
	437	**132**	**89**	**-**	**658**
Less: Accumulated depreciation and impairment					
Right-of-use assets					
-Land	113	4	-	-	117
-Building	121	100	-	-	221
-Equipment	167	-	-	-	167
-IT equipment	22	5	-	-	27
	423	**109**	**-**	**-**	**532**
Net book value	**14**				**125**

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

12.1 Right-of-use assets (Continued)

	January 1, 2022	Additions	Disposal	December 31, 2022
Cost				
Right-of-use assets				
-Land	99	18	-	117
-Building	757	-	(636)	121
-Equipment	167	-	-	167
-Vehicle	31	-	(31)	-
-IT equipment	32	-	-	32
	1,086	**18**	**(667)**	**437**
Less: Accumulated depreciation				
Right-of-use assets				
-Land	95	18	-	113
-Building	720	37	(636)	121
-Equipment	136	31	-	167
-Motor vehicle	31	-	(31)	-
-IT equipment	16	6	-	22
	998	**92**	**(667)**	**423**
Net book value	**88**			**14**

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

12.2 Intangible assets

	January 1, 2023	Additions	Additions from business combination (Note 4)	December 31, 2023
Cost				
Brands	250	225	475	950
Licenses	-	-	225	225
GMP certification	-	-	180	180
	250	**225**	**880**	**1,355**
Less: Accumulated amortization and impairment				
Brand	211	61	-	272
Licenses	-	34	-	34
GMP certification	-	17	-	17
	211	112	-	323
Net book value	**39**			**1,032**

	January 1, 2022	Additions	Impairment	December 31, 2022
Cost				
Brand	250	-	-	250
Less: Accumulated amortization and impairment				
Brand	206	5	-	211
Net book value	**44**			**39**

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

NOTE 13 – LOANS AND BORROWINGS

	December 31, 2023	December 31, 2022
Current liabilities		
Lease liability (2)	121	75
Other loans and borrowings (3)	327	523
Convertible debentures (1)	1,778	-
	2,226	**598**

	December 31, 2023	December 31, 2022
Non-current liabilities		
Lease liability (2)	69	34
	69	**34**

(1) In connection with the acquisition of VIVO, the Company entered into a fourth supplemental debenture indenture on April 1, 2023 with respect to the outstanding debentures principal of $2,547 as at April 1, 2023. Under the fourth supplement to the debenture indenture, the Company assumed all the rights, covenants and obligations of VIVO under the original indenture and subsequent amendments and provided for the prepayment of an aggregate principal amount of $500 on or about the acquisition date. This principal repayment was made on April 3, 2023. The annual interest payable on the debentures is 10.0% and the principal matures on September 15, 2024.

	2023
As at January 1	-
Addition from business combination (Note 4)	2,306
Principal repayment	(500)
Net remeasurement	(28)
As at December 31	**1,778**

(2) The Company has various lease agreements with maturities of 1 to 3 years. An average incremental borrowing rate of 14.4% 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 25.2.

(3) Other loans and borrowings comprise a financing arrangement for the Company's insurance premiums. Under the current financing arrangement, the Company has borrowed a notional amount of $1,066 and repaid $739 during the year ended December 31, 2023. Total repayment for all insurance premium financing arrangements during the year ended December 31, 2023 was $1,262. The debt has a maturity date of March 30, 2024, bears an interest rate of 7.654%, and repayable in 3 remaining equal monthly instalments.

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

14.1 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 7).

14.2 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 Company 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 Company 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 judgement 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 to the summary judgement 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, and subsequently adjourned to October 12, 2023.

Effective September 29, 2023, the Company entered into a settlement agreement with this customer under which, the Company will receive a total value of $8,500 and the customer will abandon its appeal against the Company. The settlement consideration will be $3,000 cash payment; $4,500 in common shares of the customer's publicly traded parent entity and $1,000 cannabis products, including high-quality flower and extractable bio-mass to be received at a future date. In addition, the Company and the customer entered into a $500 supply agreement to provide the customer with the Company's products and services over four-years (Note 29). During the year, the Company received cash payment of $3,000 and 1,573,152 common shares, which the Company sold for net proceeds of $4,249, resulting in a loss on disposal of subsidiary of $251. During the year, the Company recognized an expected credit loss of $31 against the receivable from this customer (Note 26.1).

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.

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS (Continued)

On June 16, 2020, a consumer filed a Statement of Claim on behalf of a class in the Court of Queen's Bench of Alberta in Alberta, Canada, against several Canadian cannabis manufacturers and/or distributors. On December 4, 2020, a Third Amended Statement of Claim was filed, where a subsidiary of the Company (Canna Farms Ltd.) was added as a defendant. The Third Amended Statement of Claim alleges claims related to the defendants' advertised content of cannabinoids in cannabis products for medicinal use on or after June 16, 2010 and cannabis products for adult use on or after October 17, 2018. The Third Amended Statement of Claim seeks a total of $500 million for breach of contract, compensatory damages, and unjust enrichment or such other amount as may be proven in trial and $5 million in punitive damages against each defendant, including VIVO. The Third Amended Statement of Claim also seeks interest and costs associated with the action. The Company has not responded to the Third Amended Statement of Claim. The Company understands that the plaintiff intends to file a Fourth Amended Statement of Claim. As of the date of these financial statements, the Plaintiff has not taken any steps to further amend the claim or to otherwise move the action forward, and no application for certification has been filed. The Company disputes the allegations and intends to vigorously defend against the claims. Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult, particularly where the matters involve indeterminate claims for monetary damages and are in the stages of the proceedings where key factual and legal issues have not been resolved. For these reasons, the ultimate timing or outcome cannot be predicted, or possible losses or a range of possible losses cannot be reasonably estimated.

NOTE 15 – TRADE AND OTHER PAYABLES

	December 31, 2023	December 31, 2022
Payable to suppliers	2,130	3,539
Accrued liabilities	3,018	1,937
Contract liabilities	112	109
Deposits from customers	279	383
Deposits on assets held for sale	829	829
Other	382	324
	6,750	**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 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, and also includes severance liabilities of $633 (December 31, 2022: $nil). Contract liabilities comprise of advance consideration received from customers for contracts that include revenue recognition over time. During the year ended December 31, 2023, the Company recognized revenue amounting to $205 from contract liabilities and received additional advance consideration of $208. Deposits from customers comprise of down payments from customers for products to be delivered. Other includes HST/GST/QST payable and excise tax payable.

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

NOTE 16 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2023	December 31, 2022
Accrued employee compensation	1,858	1,713
Leave obligations	29	24
	1,887	**1,737**

The leave obligations represent the Company's accrued liability in connection with employees' annual leave which are short-term benefits.

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1 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.

On April 1, 2023, the Company issued 107,930,964 Common Shares at a share price of $0.075 per share as part of the closing of the VIVO acquisition.

For the year ended December 31, 2023, nil stock options (December 31, 2022: nil stock options) were exercised into common shares for proceeds of $nil (December 31, 2022: $nil). In addition, during the year ended December 31, 2023, 12,741,130 RSUs (December 31, 2022: 8,627,715) were settled through issuance of Common Shares, resulting in an increase to Common Shares on the consolidated statement of financial position of $893 (December 31, 2022: $706).

17.2 Stock options / Share based compensation

On June 5, 2023, the Company issued options to purchase up to 2,559,847 Common Shares with an exercise price of $0.07 per share for a five-year term expiring June 5, 2028 under the Company's omnibus equity incentive plan (the "Plan"). The vesting for 1,959,847 of the options is 50% every six months, with 50% vesting six months from the date of the grant, until fully vested, and 600,000 of the options vesting at 25% every six months, with the first 25% vesting six months from the date of the grant, until fully vested. Total fair value of the options issued was $179 and was estimated using the Black Scholes option pricing model, using the following assumptions: estimated volatility of 91.55%, expected life of 5 years, a risk-free rate of 3.61%, a forfeiture rate of 6.91%, and a share price of $0.07.

On December 22, 2023, the Company issued options to purchase up to 16,976,222 Common Shares with an exercise price of $0.065 per share for a five-year term expiring December 22, 2028 under the Company's omnibus equity incentive plan (the "Plan"). The vesting for the options is 50% every six months, with 50% vesting six months from the date of the grant, until fully vested. Total fair value of the options issued was $726 and was estimated using the Black Scholes option pricing model, using the following assumptions: estimated volatility of 86.41%, expected life of 5 years, a risk-free rate of 3.61%, , a forfeiture rate of 6.85%, and a share price of $0.065.

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

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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		2022	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
As at January 1	26,642,138	0.66	11,085,670	1.88
Issued during the year	19,536,069	0.06	23,987,177	0.16
Forfeited/cancelled during the year	(5,239,705)	1.50	(8,430,709)	0.81
As at December 31	**40,938,502**	**0.26**	**26,642,138**	**0.66**

	2023		2022	
	Number of Options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Exercisable at December 31	19,066,616	0.51	11,785,639	1.35
Weighted average remaining contractual life		2.84 years		2.73 years

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

	Weighted average remaining contractual life (years)	**Number of outstanding options**
Exercise price range	**2023**	**2023**
Less than and equal to $0.50	2.65	36,596,952
Between $0.50 and $1.00	0.11	1,080,000
More than and equal to $1.00	0.09	3,261,550
		40,938,502

On June 5, 2023, the Company granted 1,298,399 RSUs under the Plan. The total fair value of the RSUs issued was $91 and was calculated using the share price of $0.07 on the grant date. The RSUs vest 50% every six months, with the first 50% vesting occurring six months from the date of the grant, until fully vested.

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

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

On December 22, 2023, the Company granted 16,088,153 restricted share units ("RSUs") under the Plan. The total fair value of the RSUs issued was $1,000 and was calculated using the share price of $0.065 on the grant date. The RSUs vest 50% every six months, with the first 50% vesting occurring six months from the date of the grant, until fully vested.

The Company has the option of settling the RSUs in Common Shares or cash.

	2023 Number of RSUs	**2022 Number of RSUs**
As at January 1	18,802,634	3,661,038
Granted during the year	17,386,552	26,319,518
Exercised during the year	(11,433,160)	(8,627,715)
Forfeited during the year	(85,778)	(2,550,207)
As at December 31	**24,670,248**	**18,802,634**

17.3 Share purchase warrants

A summary of changes in share purchase warrants on a diluted basis is as follows:

	2023		**2022**	
	Number of warrants	**Weighted average exercise price $**	**Number of warrants**	**Weighted average exercise price $**
As at January 1	57,500,000	[0.70]	57,500,000	[0.70]
Issued during the year	-	-	-	-
Expired during the year	[57,500,000]	[0.70]	-	-
Exercised during the year	-	-	-	-
As at December 31	**-**	**-**	**57,500,000**	**[0.70]**
Weighted average remaining contractual life	-		0.18 years	

Following closing of the Arrangement, 19,166,667 warrants previously issued by VIVO were taken over by the Company. Each warrant is exercisable into 0.2910 of a Common Share (each whole share, a "Warrant Share") at an exercise price equal to $0.26 per 0.2910 of a Warrant Share. The warrants expired on February 26, 2024.

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

NOTE 18 – EARNINGS (LOSS) PER SHARE (EPS)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023	2022
Loss attributable to equity holders of the Company	(13,083)	(29,983)
Weighted average number of shares for basic and diluted EPS	363,323,952	276,861,109
Basic and diluted EPS	(0.04)	(0.11)

For the years ended December 31, 2023 and 2022, since the Company reported a loss, the effects of stock options, RSUs and warrants were considered anti-dilutive.

NOTE 19 – REVENUE

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

	2023	2022
Canada	23,085	14,688
International sales		
Australia	5,389	2,608
Germany	3,582	3,651
Other	1,006	1,170
	33,062	**22,117**
Canadian Adult Use and Wellness	10,260	11,632
Canadian Medical Cannabis		
Clinics	1,858	-
Other	9,888	1,685
	11,746	1,685
International Medical Cannabis	9,660	5,075
Pharmaceutical and B2B	1,396	3,725
	33,062	**22,117**
Products transferred at a point in time	32,155	20,065
Products and services transferred over time	907	2,052
	33,062	**22,117**

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

NOTE 19 – REVENUE (Continued)

For the year ended December 31, 2023, the Company had only two customers (December 2022: two) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 15.6% and 13.4% of total revenue attributed to cannabis products for the year ended December 31, 2023 (December 31, 2022: two customers represented 23.6%, and 11.6%).

Certain amounts reported in prior years in the financial statements have been reclassified between revenue streams to conform to the current year's presentation. The reclassification also includes presentation of excise taxes, which are deducted from revenue.

NOTE 20 – GENERAL ADMINISTRATIVE AND MARKETING AND SELLING EXPENSES

	2023	**2022**
Employee benefits (1)	9,319	8,041
Consulting and professional fees (2)	3,601	3,932
Depreciation	453	831
ECL (recovery) on receivables (Note 25.1)	(1,922)	134
Software and licenses	833	752
Rent and occupancy cost	582	242
Insurance	959	1,361
Other (3)	1,270	1,253
Total general administrative expenses	**15,095**	**16,546**

(1) Employee benefits include severance expense of $1,910 due to organizational restructuring for the year ended December 31, 2023 (2022: $922).
(2) Consulting and professional fees primarily consist of audit and tax, information technology, quality assurance, and legal services.
(3) Other includes office related expenses, utility expenses and subscriptions, travel and entertainment and Health Canada regulatory fee.

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

NOTE 20 – GENERAL ADMINISTRATIVE AND MARKETING AND SELLING EXPENSES (Continued)

	2023	**2022**
Employee benefits (1)	2,664	2,930
Investor relations	100	221
Consulting and professional fees	380	759
Advertising and promotion (2)	1,273	1,648
Freight	1,328	339
Other (3)	460	407
Total marketing and selling expenses	**6,205**	**6,304**

(1) Employee benefits include severance expense of $87 due to organizational restructuring for the year ended December 31, 2023 (2022: $115).
(2) Advertising and promotion expenses cover the digital marketing, events and other advertisement related activities.
(3) Other includes supplies and travel expenses.

NOTE 21 – OTHER OPERATING INCOME/(EXPENSES), NET

	2023	**2022**
Government grants (1)	-	24
Foreign exchange gain/(loss), net	(456)	(742)
Property, plant and equipment and intangible impairment (Note 12)	(183)	-
Impairment loss on asset held for sale (Note 11)	(40)	-
Gain on sale of property, plant and equipment	174	(7)
Other (2)	(66)	(170)
	(571)	**(895)**

During the year ended December 31, 2022, the Company recorded $24 in relation to the Export Market Development Grant (Australia) and Canada Emergency Wage Subsidy (CEWS).

(1) Payroll Tax Waiver (Australia). There are no unfulfilled conditions or other contingencies attached to these grants. The Company did not benefit directly from any other forms of government assistance.

(2) Other includes gain / (loss) from the sale of property, plant and equipment and bank and financial institution service fees.

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

NOTE 22 – EXPENSES BY NATURE

	2023	2022
Inventory and consumables recognized in cost of sales	12,932	10,867
Fair value adjustments in cost of sales	(1,188)	-
Write down of inventory to net realizable value (Note 6)	1,526	1,288
Employee compensation (4)	19,362	17,434
Consulting and professional fees	4,184	5,394
ECL on trade receivables (2)	(1,922)	134
Share based compensation expense (3)	2,027	2,872
Supplies and small equipment	1,198	500
Depreciation and amortization	2,516	2,865
Rent and occupancy cost	1,300	586
Foreign exchange loss	456	751
Analytical testing	1,112	1,150
Advertising and promotion	1,283	1,653
Insurance	1,677	2,032
Software and licenses	1,042	949
Government grants (Note 21)	-	(24)
Freight	1,548	592
Other (1)	2,261	2,607
	51,314	**51,650**

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

(2) During the year ended December 31, 2023, 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, including tax recoveries of $464, has been recognized as income during the year 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 year ended December 31, 2023, out of total share-based compensation expense of $2,027 (December 31, 2022: $2,872), general administrative expense portion is $1,655 (December 31, 2022: $2,472), marketing and selling expense portion is $113 (December 31, 2022: $118), cost of sales portion is $182 (December 31, 2022: $160) and research and development portion is $77 (December 31, 2022: $122).

(4) Employee compensation includes severance cost in relation to restructuring measures undertaken by the Company during the year. For the year ended December 31, 2023, the severance cost incurred in relation to the restructuring amounted to $2,303 (December 31, 2022: $1,233).

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

NOTE 23 – FINANCE INCOME / EXPENSES

	2023	2022
Interest income	840	479
Total finance income	**840**	**479**
Accretion expense on convertible debt	250	-
Interest expense	115	31
Total finance expense	**365**	**31**

NOTE 24 – INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS

The taxes on income reflected on the consolidated statements of loss for the year ended December 31 are summarized below:

	2023	2022
Current income tax (recovery)/expense	(276)	(6)
Total income tax (recovery)/expense	**(276)**	**(6)**

Reconciliation of income tax is as below:

	2023	2022
Loss before tax	(13,359)	(29,989)
Tax recovery based on statutory rate	(3,540)	(7,947)
Tax effect of amounts which are non-deductible	(303)	129
Return to provision difference	(276)	-
Difference in provincial and overseas tax rates	(78)	-
Change in unrecognized deferred tax assets	3,921	10,480
Utilization of previously unrecognized tax losses	-	(3,020)
Other	-	352
Total income tax (recovery)/expense	**(276)**	**(6)**

The tax rate above is computed using the Canadian Federal and Ontario statutory tax rate of 26.5% (2022: 26.5%).

Deferred tax assets have not been recognized for losses and other deductible temporary differences as follows:

	2023	2022
Losses	274,610	128,925
Financing costs	1,872	3,415
Property, plant and equipment	5,056	7,261
Other items	1,089	522
Total unrecognized temporary differences	**282,627**	**140,123**

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

NOTE 24 – INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS (Continued)

The tax benefit in connection with the Company's losses that may be available to reduce income tax in a future taxation period amounts to $72,760 (2022: $33,076).

	2023	Expiry	2022	Expiry
Canadian non-capital losses	252,637	2033 - 2043	120,708	2036 - 2042
Canadian capital losses	9,564	Indefinite	8,217	Indefinite
Foreign operating losses	12,409	Indefinite	-	-

NOTE 25 –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.

25.1 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 $17,981 (December 31, 2022: $24,145). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks, large credit unions, or other large foreign banks.

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

	December 31, 2023	December 31, 2022
Business to business customers	4,681	17,459
Distributors / Retailers (1)	1,046	1,195
	5,727	**18,654**

(1) Distributors / Retailers are largely comprised of provincial distributors.

As at December 31, 2023, the Company holds trade receivables from five customers representing 20%, 12%, 11%, 10%, and 10% 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.

During the year, the Company entered into a settlement agreement with one of its customers with respect to $8,531 (December 31, 2022: $8,531) of the Company's trade receivable balance, which are all due from one customer (Note 14.2). During the year, the Company recognized ECL of $31 for this trade receivable.

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

NOTE 25 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

25.1 Credit risk (Continued)

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'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 Company recognized an allowance for expected credit losses in connection with its trade receivables and contract assets to an amount of $208 (December 31, 2022: $6,210).

The aging of the Company's gross trade receivables at December 31, 2023 is as follows:

	December 31, 2023 Gross carrying amount	December 31, 2022 Gross carrying amount
Current (not past due)	4,414	3,255
1-30 days past due	991	213
31-90 days past due	79	480
90-270 days past due	45	-
270-365 days past due	170	-
>365 days	24	14,607
	5,723	**18,555**

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

Balance at January 1	6,210
Recoveries of loss allowance	(2,010)
Amounts written off	(4,080)
Net remeasurement of loss allowance	88
Expected credit losses as at December 31, 2023	**208**

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

NOTE 25 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

25.2 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 $17,981 (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 December 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	6,750	-	-	-	6,750	6,750
Employee benefit obligations	1,887	-	-	-	1,887	1,887
Convertible debt	-	2,047	-	-	2,047	1,778
Loans and borrowings	327	-	-	-	327	327
Lease liability	92	32	70	-	194	190
Total financial liabilities	**9,056**	**2,079**	**70**	**-**	**11,205**	**10,932**

25.3 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.

A 5% strengthening of CAD against USD, EUR, and AUD would increase the Company's net loss by $84, $31, and $34 respectively.

NOTE 25 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

25.4 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 and debt (consisting of the Company's loans and borrowings). As at December 31, 2023, total managed capital is $55,300 (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 26 – 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 Consolidated 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.

During the year ended December 31, 2023, there were no transfers between levels. The Company does not have any level 3 financial instruments.

NOTE 27 – SEGMENT INFORMATION

The Company operates in one reportable segment, the production and sales of cannabis flower, 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 $26,300 and $3 (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 28 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

28.1 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 year ended December 31, 2023 was $2,676 (December 31, 2022: $2,659) and is included in general and administrative expenses.

During the year ended December 31, 2023, the Company issued 7,186,153 options at an average exercise price of $0.065 per share (December 31, 2022: 13,662,374 options at $0.16 per share) and 12,838,153 RSUs (December 31, 2022: 21,453,515 RSUs) to its key management personnel and recognized total share-based compensation expense related to key management personnel of $1,302 (December 31, 2022: $2,232).

During the year ended December 31, 2023, the Company's key management personnel exercised nil options for gross proceeds of $nil (December 31, 2022: nil options for gross proceeds of $nil) and 11,954,377 RSUs were exercised into common shares amounting to $816 (December 31, 2022: 6,075,120 RSUs were exercised into common shares amounting to $515).

28.2 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 year ended December 31, 2023 and 2022.

As at December 31, 2023, the Company has $360 (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 29 – EVENTS AFTER THE REPORTING YEAR

(i) Issued and cancelled stock options and RSUs

Subsequent to December 31, 2023, 4,181,491 options were forfeited resulting in 36,757,011 stock options remaining outstanding as of the date these Consolidated Financial Statements were approved by the Board of Directors of the Company.

Subsequent to December 31, 2023, 364,596 RSUs were forfeited and 5,705,843 RSUs were settled through the issuance of 2,651,509 Common Shares resulting in 18,599,809 RSUs remaining outstanding as of the date these Consolidated Financial Statements were approved by the Board of Directors of the Company.

(ii) Warrants

On February 26, 2024, the 19,166,667 Warrants issued and exercisable to acquire up to 5,577,500 Common Shares of the Company, in connection with the Arrangement, expired.