MEDIPHARM LABS CORP.
CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 2023 and 2022

CONTENTS OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
AT SEPTEMBER 30, 2023

CONTENTS PAGE

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2023 and December 31, 2022

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

	Notes	September 30, 2023	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		12,950	24,145
Trade and other receivables	5	13,935	12,876
Inventories	6	10,245	7,776
Biological assets	7	152	-
Other assets	8	2,574	1,590
Assets held for sale	9	1,816	829
Current tax receivable		-	129
Total current assets		**41,672**	**47,345**
Non-current assets:			
Property, plant and equipment	10	25,258	18,111
Intangibles	10.2	1,077	39
Total non-current assets		**26,335**	**18,150**
Total assets		**68,007**	**65,495**

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2023 and December 31, 2022

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

	Notes	September 30, 2023	December 31, 2022
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	13	8,015	7,121
Current employee benefit obligations		2,069	1,737
Loans and borrowings	11	2,641	598
Total current liabilities		**12,725**	**9,456**
Non-current liabilities:			
Loans and borrowings	11	79	34
Total non-current liabilities		**79**	**34**
Total liabilities		**12,804**	**9,490**
Equity:			
Common shares	14	200,009	191,256
Reserves		29,461	28,398
Accumulated other comprehensive loss		(500)	-
Accumulated deficit		(173,767)	(163,649)
Total equity		**55,203**	**56,005**
Total liabilities and equity		**68,007**	**65,495**

Going concern	2.1(ii)
Commitments and contingencies	12
Subsequent events	21

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

/s/ "*David Pidduck*"
David Pidduck
Director

/s/ "*Chris Taves*"
Chris Taves
Director

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Notes	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Revenue	15	8,505	7,262	23,931	16,501
Cost of sales		(5,586)	(8,452)	(19,182)	(18,626)
Incremental cost of cannabis inventory acquired in a business combination	7	(2,055)	-	(2,055)	-
Gross profit before change in fair value of biological assets		**864**	**(1,190)**	**2,694**	**(2,125)**
Realized fair value adjustment on sale of inventories	7	824	-	(393)	-
Unrealized gain on changes in fair value of biological assets	7	729	-	1,358	-
Gross profit		**2,417**	**(1,190)**	**3,659**	**(2,125)**
General administrative expenses		(4,314)	(3,543)	(11,628)	(13,175)
Marketing and selling expenses		(1,675)	(1,651)	(4,711)	(4,697)
Research and development expenses		(61)	(250)	(150)	(858)
Share based compensation expense	14,16	(386)	(161)	(1,721)	(1,482)
Other operating expense, net		(336)	(1,251)	(766)	(2,282)
Operating loss		**(4,355)**	**(8,046)**	**(15,317)**	**(24,619)**
Gain on bargain purchase	4	-	-	4,847	-
Unrealized gain in revaluation of derivative liabilities		-	-	-	2
Finance income		174	132	613	264
Finance expense		(149)	(16)	(264)	(21)
Loss before taxation		**(4,330)**	**(7,930)**	**(10,121)**	**(24,374)**
Taxation (expense)/recovery		3	-	3	-
Net loss for the period		**(4,327)**	**(7,930)**	**(10,118)**	**(24,374)**
Basic and diluted loss per share		(0.01)	(0.03)	(0.03)	(0.09)

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2023 and 2022

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

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Net loss for the period	**(4,327)**	**(7,930)**	**(10,118)**	**(24,374)**
Other comprehensive (loss)/income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	134	(320)	(500)	224
Total comprehensive loss for the period	**(4,193)**	**(8,250)**	**(10,618)**	**(24,150)**

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended September 30, 2023 and 2022
(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C$'000s) except per share and exercise price amounts.)

	Common Shares		Reserves					
	Number	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	5,329,915	458	(458)	-	-	-	-	-
Share based compensation	-	-	1,482	-	-	-	-	1,482
Foreign exchange translation	-	-	-	-	-	224	-	224
Net loss for the period	-	-	-	-	-	-	(24,374)	(24,374)
Balance at September 30, 2022	**278,867,105**	**191,008**	**22,161**	**(4,323)**	**5,095**	**254**	**(153,717)**	**60,478**
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 14)	9,477,791	658	(658)	-	-	-	-	-
Shares issued for purchase of VIVO (Note 4)	107,930,964	8,095	-	-	-	-	-	8,095
Share based compensation (Note 14)	-	-	1,721	-	-	-	-	1,721
Foreign exchange translation	-	-	-	-	-	(500)	-	(500)
Net loss for the period	-	-	-	-	-	-	(10,118)	(10,118)
Balance at September 30, 2023	399,573,660	200,009	24,366	-	5,095	(500)	(173,767)	55,203

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2023 and 2022

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

	Notes	Nine months ended September 30 2023	Nine months ended September 30 2022
Cash flows from operating activities:			
Net loss for the period		(10,118)	(24,374)
Adjustments for:			
Depreciation and amortization	10	1,799	2,332
Impairment loss on disposal group		-	1,476
Impairment loss on asset held for sale		17	68
Write down of inventory	6	1,116	949
Incremental cost of cannabis inventory acquired in a business combination		2,055	-
Change in fair value of biological assets		(965)	-
Gain on sale of Property, plant and equipment		-	(1)
Impairment of Property, plant and equipment	9	183	-
Expected credit loss	5,17	(1,970)	295
Finance income and finance expense		(349)	(243)
Unrealized gain in revaluation of derivative liabilities		-	(2)
Unrealized foreign exchange difference		279	(183)
Deferred income		-	(2)
Share based compensation		1,721	1,482
Gain on bargain purchase		(5,860)	-
		(12,092)	**(18,203)**
Change in trade and other receivables	5	519	2,234
Change in inventories	6	888	(1,281)
Changes in biological assets	7	13	-
Change in other assets	8	299	1,264
Change in asset held for sale	9	-	(229)
Change in trade and other payables	13	(3,901)	746
Change in other current tax receivable		129	-
Change in other current liabilities		332	(432)
Net cash used in operating activities		**(13,813)**	**(15,901)**
Cash flows from investing activities:			
Capital expenditures	10	(352)	(554)
Cash acquired from business combination	4	1,013	-
Proceeds from sale of fixed assets	9	1,903	7
Net cash provided by (used in) investing activities		**2,564**	**(547)**
Cash flows from financing activities:			
Loan received	11	1,066	1,341
Repayment of loans and borrowings	11	(1,441)	(303)
Interest received		613	264
Interest paid		(187)	-
Payment of lease liabilities		(178)	(107)
Net cash provided by financing activities		**(127)**	**1,195**
Effects of exchange rate changes		**181**	**597**
Decrease in cash and cash equivalents		**(11,195)**	**(14,656)**
Cash and cash equivalents at the beginning of the period		**24,145**	**34,110**
Cash and cash equivalents at the end of the period		**12,950**	**19,454**

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

(Unaudited - 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 German 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 condensed interim consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2023 ("Interim Financial Statements"), include the financial statements of the Company and its subsidiaries. Throughout these Interim 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
MPL Manufacturing Inc.	Canada
2612785 Ontario Inc.	Canada
MPL International Holdings Inc.	Canada
VIVO Cannabis Inc. (1)	Canada
ABcann Medicinals Inc. (1)	Canada
Canna Farms Limited (1)	Canada
Harvest Medicine Inc. (1)	Canada
Green Earth Realty Inc. (1)	Canada
Patients' Choice Botanicals Inc. (1)	Canada
Universal Botanicals Inc. (1)	Canada
Beacon Medical Germany GmbH (1)	Germany
Beacon Medical Australia Pty Ltd (1)	Australia
2649924 Ontario Inc. (1)	Canada
1000652011 Ontario Inc. (2)	Canada

(1) These wholly owned subsidiaries were acquired during the period (Note 4).
(2) This wholly owned subsidiary was incorporated and disposed during the period (Note 5).

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

These Interim Financial Statements have been prepared in accordance with International Accounting Standards IAS 34, *Interim Financial Reporting* following the same accounting policies and methods of application as those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2022 with the exception of new accounting policies that were adopted in January 1, 2023 as described in Note 2.2.

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

The Board of Directors of the Company approved these Interim Financial Statements on November 13, 2023.

(ii) Going concern

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

During the period ended September 30, 2023, the Company used cash in operating activities of $13,813 (September 30, 2022: $15,901). As of September 30, 2023, the Company had a working capital balance of $28,947 (December 31, 2022: $37,889) and an accumulated deficit of $173,767 (December 31, 2022: $163,649). As of September 30, 2023, the Company had cash and cash equivalents of $12,950 (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 acquisition is expected to result in significant use of cash and cash equivalents to fund the operations of the combined entity. Without achieving significant synergies for the combined entity, the Company may require additional financing to fund the combined operations. Considering the Acquisition 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 Interim Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, and such adjustments could be material.

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM 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 the Company's Interim Financial Statements.

- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IFRS 17 – Insurance Contracts

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 Interim 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 period in which the estimates are revised and in any future periods affected.

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

(i) Expected 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 period.

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM 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 14.2.

(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 estimated 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 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

Management 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 sales forecasts and future selling prices.

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

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

(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, 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 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	September 30, 2023	December 31, 2022
Financial assets at amortized cost		
Cash and cash equivalents	12,950	24,145
Trade and other receivables (Note 5)	14,935	12,876
Financial liabilities at amortized cost		
Trade and other payables (Note 13)	8,015	7,121
Current employee benefit obligations	2,069	1,737
Loan and borrowings (Note 11)	2,720	632

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

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 have 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 their common shares in VIVO.

The Company's initial allocation of the Purchase Price is as noted in the table below. As the VIVO acquisition is within the measurement period, management will continue to finalize the allocations in relation to valuation of property, plant, and equipment, intangible assets, and inventories. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances

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NOTE 4 – BUSINESS COMBINATION (Continued)

that existed as of the acquisition date is received. The measurement period cannot be beyond one year from the date of acquisition.

The table below summarizes the estimated fair value of the assets acquired and the liabilities assumed as at the acquisition date.

Consideration paid	
Common Shares issued	8,095
Total consideration	**8,095**
Fair value of net assets acquired	
Cash and cash equivalents	1,013
Trade and other receivables	2,154
Prepaids and deposits	283
Inventories	4,017
Biological assets	165
Property, plant & equipment	11,710
Intangible assets	880
Trade and other payables	(4,795)
Lease liabilities	(179)
Convertible debentures	(2,306)
Total identifiable net assets acquired	12,942
Gain on bargain purchase	(4,847)

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 a favourable price due to its financial condition, which resulted in a gain on bargain purchase of $4,847. Gain on bargain purchase is not taxable.

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

From the date of acquisition, VIVO Cannabis Inc. contributed $10,560 of revenue and $1,897 to the net loss of the Company.

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

NOTE 5 – TRADE AND OTHER RECEIVABLES

	September 30, 2023	December 31, 2022
Trade receivables, net	8,046	12,345
Consideration receivable	4,500	-
Other receivables	352	501
HST/GST/VAT receivable	1,037	30
	13,935	**12,876**

As at September 30, 2023, the Company has receivables of $8,531, consisting of $3,031 in trade receivables, $1,000 in prepaids and deposits and $4,500 in consideration receivable from sale of the Company's subsidiary (December 31, 2022: $14,607) that are due from one customer. The Company had initiated legal proceedings to collect $8,531 (Note 12.2) 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 awarded $9,800 plus interest and costs (Note 12.2).

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 will be $3,000 cash payment (included in trade receivables); $4,500 in common shares of the customer's publicly traded parent entity (included in consideration receivable) and $1,000 in cannabis products (included 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 and 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. Accordingly, the Company has recorded a consideration receivable of $4,500 as at September 30, 2023, and $nil gain or loss on the sale of the subsidiary during the period. The Company also recorded an expected credit loss of $31 with respect to the receivables from the customer. Subsequent to September 30, 2023, the Company received cash payment of $3,000 and 1,573,152 common shares as consideration for the disposal of the subsidiary (Note 21).

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 commitment to purchase dry flower from the counterparty (Note 12.1). The Company also recovered taxes amounting to $464 in relation to this receivable.

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

NOTE 5 – TRADE AND OTHER RECEIVABLES (Continued)

Credit risk and aging analysis related to trade receivables are included in Note 17.1.

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

NOTE 6 – INVENTORIES

	September 30, 2023	December 31, 2022
Raw materials	2,013	562
Finished goods	6,007	5,550
Consumables and packages	2,225	1,664
	10,245	**7,776**

Raw material inventory is comprised of 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 dry flower (for sale purposes), bulk and formulated concentrate, formulated oil, distillate product and vapes. Consumables include MCT oil used in the production of formulated oil, terpenes used in oil formulation and packaging and product hardware materials.

During the three and nine months ended September 30, 2023, inventories of $4,403 and $12,152 (September 30, 2022: $5,484 and $10,655) were recognized as expense during the period and included in cost of sales. For the three and nine months ended September 30, 2023, the Company recognized write downs of the carrying value of its raw materials, work in progress and finished goods of $265 and $1,116 (September 30, 2022: $428 and $949).

NOTE 7 – BIOLOGICAL ASSETS

	2023	2022
As at January 1	-	-
Recognized on business combination	165	
Unrealized gain on changes in fair value of biological assets	1,358	-
Transfer to inventories upon harvest	(1,371)	-
As at September 30	152	-

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 September 30, 2023, the Company's biological assets were, on average, 51% complete and it was expected that the biological assets would yield approximately 111 kg of dry flower and 19 kg of trim. As at September 30, 2023, the Company had 4,752 plants that were biological assets.

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

NOTE 7 – BIOLOGICAL ASSETS (Continued)

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. 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 of 33 grams of dry flower per plant and 4.8 grams of trim per plant.
- Expected average fair value of $2.59 per gram for flower products and $0.07 per gram for trim, based on management's estimate of fair values.
- 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 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 disclosed due to immaterial amount of biological assets held at September 30, 2023.

Incremental cost of cannabis inventory acquired in a business combination represents the fair value realized on sale of cannabis inventory acquired in a business combination. The fair value component of cannabis inventory acquired in a business combination is deemed to be inventory cost on acquisition. During the three months ended September 30, 2023, the fair value realized to date on cannabis inventory acquired in a business combination has been reclassified from realized fair value adjustment on sale of inventories.

NOTE 8 – OTHER ASSETS

	September 30, 2023	December 31, 2022
Deposits and down payments (1)	1,282	756
Prepaid insurance	901	688
Other (2)	391	146
	2,574	**1,590**

(1) Deposits and down payments primarily include the down payments to suppliers for the purchase of inventory.

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

NOTE 9 – ASSETS HELD FOR SALE

Lands

As at September 30, 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 during the period, Vanluven Road in Nappanee, 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 period, 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 fair value less costs to sell the remaining lands as of September 30, 2023 was $987 (December 31, 2022: $nil) (Note 21). For the three and nine months ended September 30, 2023, the Company recognized impairment losses of $22 and $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 Interim Financial Statements.

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 September 30, 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 12. These assets continue to be recognized as assets held for sale as the acquiring entity that has paid the Company for the assets has not yet taken physical possession of the assets.

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	January 1, 2023	Additions	Additions from business combination	Transfers	Impairment	Transfer to Assets held for sale	September 30, 2023
Cost							
Land	1,523	-	4,380	-	(183)	(2,907)	2,813
Building and building improvements	20,934	25	6,790	83	-	-	27,832
Leasehold improvements	209	-	-	-	-	-	209
Computers	1,365	4	9	-	-	-	1,378
Office equipment	207	-	70	-	-	-	277
Machinery and plant equipment	15,108	31	372	86	-	-	15,597
Motor vehicles	37	-	-	-	-	-	37
Security equipment	738	-	-	-	-	-	738
Construction in progress	2,596	67	-	(169)	-	-	2,494
Right-of-use assets (Note 10.1)	437	132	89	-	-	-	658
	43,154	259	**11,710**	**-**	**(183)**	**(2,907)**	**52,033**
Less: Accumulated depreciation and impairment losses							
Building and building improvements	8,479	615	-	-	-	-	9,094
Leasehold improvements	146	5	-	-	-	-	151
Computers	1,279	53	-	-	-	-	1,332
Office equipment	156	37	-	-	-	-	193
Machinery and plant equipment	11,450	906	-	-	-	-	12,356
Motor vehicles	26	4	-	-	-	-	30
Security equipment	674	36	-	-	-	-	710
Construction in progress	2,410	-	-	-	-	-	2,410
Right-of-use assets (Note 10.1)	423	76	-	-	-	-	499
	25,043	1,732	**-**	**-**	**-**	**-**	**26,775**
Net book value	**18,111**						**25,258**

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

10.1 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 three and nine months ended September 30, 2023, is $10 and $23, respectively (September 30, 2022: $1 and $4, respectively).

	January 1, 2023	Additions	Additions from business combination	Disposal	September 30, 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	67	-	-	188
-Equipment	167	-	-	-	167
-IT equipment	22	5	-	-	27
	423	76	**-**	**-**	**499**
Net book value	**14**				**159**

10.2 Intangible assets

	January 1, 2023	Additions	Additions from business combination	September 30, 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	33	-	244
Licenses	-	22	-	22
GMP certification	-	12	-	12
	211	67	-	278
Net book value	39			1,077

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

NOTE 11 – LOANS AND BORROWINGS

	September 30, 2023	December 31, 2022
Current liabilities		
Lease liability (2)	178	75
Other loans and borrowings (3)	648	523
Convertible debentures (1)	1,815	-
	2,641	**598**

	September 30, 2023	December 31, 2022
Non-current liabilities		
Lease liability (2)	79	34
	79	**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	2,306
Principal repayment	(500)
Interest payment	(53)
Accretion	62
As at September 30	1,815

(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 17.2.

(3) Other loans and borrowings comprise a financing arrangement for the Company's insurance premiums. Under this financing arrangement, the Company has borrowed a notional amount of $1,066 and repaid $314 and $418 during the three and nine months ended September 30, 2023 respectively. Total repayment of insurance premium financing during the nine month period ended September 30, 2023 was $941. The debt has a maturity date of March 30, 2024, bears an interest rate of 7.654%, and repayable in 6 remaining equal monthly instalments.

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

12.1 Purchase commitments under purchase agreements

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

12.2 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 21). During the period, the Company recognized an expected credit loss of $31 against the receivable from this customer (Note 17.1).

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.

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

NOTE 12 – 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 13 – TRADE AND OTHER PAYABLES

	September 30, 2023	December 31, 2022
Payable to suppliers	2,422	3,539
Accrued liabilities	3,274	1,937
Contract liabilities	172	109
Deposits from customers	735	383
Deposits on assets held for sale	829	829
Other	583	324
	8,015	**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 $1,219 (December 31, 2022: $nil). Contract liabilities comprise of advance consideration received from customers for contracts that include revenue recognition over time. During the nine months ended September 30, 2023, the Company recognized revenue amounting to $72 from contract liabilities and received additional advance consideration of $135. Deposits from customers comprise of down payments from customers for products to be delivered. Other includes HST/GST/QST payable and excise tax payable.

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

NOTE 14 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

14.1 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 nine-month period ended September 30, 2023, nil stock options (September 30, 2022: nil stock options) were exercised into common shares for proceeds of $nil (September 30, 2022: $nil). In addition, during the nine-month period ended September 30, 2023, 9,477,791 RSUs (September 30, 2022: 5,329,915) were settled through issuance of Common Shares, resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of $658 (September 30, 2022: $458).

14.2 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%, and a share price of $0.07.

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

		2023
	Number of options	**Weighted average exercise price $**
As at January 1	26,642,138	0.66
Issued during the period	2,559,847	0.07
Forfeited during the period	(956,300)	0.65
Outstanding at September 30	**28,245,685**	**0.62**
Exercisable at September 30	19,033,713	0.87
Weighted average remaining contractual life	2.68 years	

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

NOTE 14 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The range of exercise prices for options outstanding as at September 30, is as below:

Exercise price range	Weighted average remaining contractual life 2023	Number of outstanding options 2023
Less than and equal to $0.50	2.37	21,915,035
Between $0.50 and $1.00	0.13	1,140,000
More than and equal to $1.00	0.18	5,190,650
		28,245,685

On June 5, 2023, the Company granted 1,298,399 restricted share units ("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.

	2023 Number of RSUs
As at January 1	18,802,634
Issued during the period	1,298,399
Exercised during the period	(9,477,791)
Forfeited during the period	(67,712)
Outstanding at September 30	**10,555,530**

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

NOTE 15 – REVENUE

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

	Three months ended September 30		**Nine months ended September 30**	
	2023	**2022**	**2023**	**2022**
Canada	5,944	3,886	16,381	9,890
International sales				
Australia	2,236	1,324	4,276	2,606
Germany	319	1,413	2,582	3,075
Other	5	639	692	930
	8,505	**7,262**	**23,931**	**16,501**
Canadian Adult Use and Wellness	2,247	3,377	7,591	8,164
Canadian Medical Cannabis				
Clinics	2,960	-	1,211	-
Other	583	207	6,743	694
	3,543	207	7,954	694
International Medical Cannabis	2,560	2,238	7,397	4,410
Pharmaceutical and B2B	154	1,440	989	3,233
	8,505	**7,262**	**23,931**	**16,501**
Products transferred at a point in time	8,342	6,532	23,240	14,449
Products and services transferred over time	163	730	691	2,052
	8,505	**7,262**	**23,931**	**16,501**

For the three months ended September 30, 2023, the Company had only two customers (September 2022: three) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 26.3% and 11.8% of total revenue attributed to cannabis products for the period ended September 30, 2023 (September 30, 2022: three customers represented 21.0%, 15.0% and 10.2%). The Company had no other customer that represented more than 10% of the Company's total revenues for the three months ended September 30, 2023.

For the nine months ended September 30, 2023, the Company had only two customers (September 2022: three) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 17.1% and 14.0% of total revenue attributed to cannabis products for the period ended September 30, 2023 (September 30, 2022: three customers represented 22.11%, 12.7% and 10.5%). The Company had no other customer that represented more than 10% of the Company's total revenues for the three months ended September 30, 2023.

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

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

NOTE 16 – EXPENSES BY NATURE

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Inventory and consumables recognized in cost of sales	1,839	4,968	7,594	7,786
Fair value adjustments in cost of sales	(1,553)	-	(964)	-
Incremental cost of cannabis inventory acquired in a business combination	2,055	-	2,055	-
Write down of inventory to net realizable value (Note 6)	265	428	1,116	949
Employee compensation (4)	4,962	4,138	15,260	14,943
Consulting and professional fees	846	1,188	3,404	3,307
ECL on trade receivables (2)	40	-	(1,970)	-
Share based compensation expense (3)	386	161	1,721	1,482
Supplies and small equipment	331	128	913	376
Depreciation and amortization	617	754	1,799	2,332
Impairment loss on remeasurement of disposal group	-	1,476	-	1,476
Rent and occupancy cost	579	185	1,036	498
Foreign exchange loss (5)	358	(327)	572	691
Analytical testing	181	216	779	957
Advertising and promotion	277	416	999	1,158
Insurance	441	426	1,338	1,629
Software and licenses	288	221	819	766
Other (1)	948	930	2,777	2,770
	12,860	**15,308**	**39,248**	**41,120**

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

(2) During the nine-month period ended September 30, 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 period and included in general administrative expenses. The remaining debt, which was fully provided for as at December 31, 2022, amounting to $4,530, has been written off.

(3) For the nine-month period ended September 30, 2023, out of total share-based compensation expense of $1,721 (September 30, 2022: $1,482), general administrative expense portion is $1,354 (September 30, 2022: $1,303), marketing and selling expense portion is $168 (September 30, 2022: $44), cost of sales portion is $199 (September 30, 2022: $73) and research and development portion is $nil (September 30, 2022: $62).

For the three-month period ended September 30, 2023, out of total share-based compensation expense of $386 (September 30, 2022: $161), general administrative expense portion is $209 (September 30, 2022:

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

NOTE 16 – EXPENSES BY NATURE (Continued)

$141), marketing and selling expense portion is $57 (September 30, 2022: $5), cost of sales portion is $120 (September 30, 2022: $8) and research and development portion is $nil (September 30, 2022: $7).

(4) Employee compensation includes severance cost in relation to restructuring measures undertaken by the Company during the period. For the three and nine months ended September 30, 2023, the severance cost incurred in relation to the restructuring amounted to $273 and $1,968 (September 30, 2022: $nil and $1,233).

(5) Foreign exchange losses are primarily due to movement of exchange rates impacting foreign currency denominated loans to the Company's subsidiaries.

NOTE 17 –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.

17.1 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 $12,950 (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 September 30, 2023, the exposure to credit risk for gross trade receivables and contract assets by the type of customer is as follows:

	September 30, 2023	**December 31, 2022**
Business to business customers	7,137	17,459
Distributors / Retailers (1)	1,046	1,195
	8,183	**18,654**

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

As at September 30, 2023, the Company holds trade receivables from two customers representing 36% and 17% 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.

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

NOTE 17 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

During the period, the Company entered into a settlement agreement with one of its customers with respect to $4,031 (December 31, 2022: $8,531) of the Company's trade receivable balance, which are all due from one customer (Note 12.2). During the period, the Company recognized ECL of $31 for this trade receivable.

17.1 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 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 $137 (December 31, 2022: $6,210).
The aging of the Company's gross trade receivables at September 30, 2023 is as follows:

	September 30, 2023 Gross carrying amount	**December 31, 2022 Gross carrying amount**
Current (not past due)	2,604	3,255
1-30 days past due	2,091	213
31-90 days past due	257	480
90-270 days past due	155	-
270-365 days past due	45	-
>365 days (1)	3,031	14,607
	8,183	**18,555**

(1) This includes $3,000 which was received subsequent to September 30, 2023 in connection with the settlement agreement with a customer (Note 5).

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	(4,066)
Net remeasurement of loss allowance	3
Expected credit losses as at September 30, 2023	**137**

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

NOTE 17 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

17.2 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 $12,950 (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 September 30, 2023	**Less than 6 months**	**6-12 months**	**12-36 months**	**36-60 months**	**Total contractual cash flows**	**Carrying amount**
Trade and other payables	8,015	-	-	-	8,015	8,015
Employee benefit obligations	2,069	-	-	-	2,069	2,069
Convertible debt	-	2,047	-	-	2,047	1,815
Loans and borrowings	648	-	-	-	648	648
Lease liability	125	57	81	-	263	257
Total financial liabilities	**10,857**	**2,104**	**81**	**-**	**13,042**	**12,804**

NOTE 17 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

17.3 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.

17.4 Capital risk management

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

Management defines capital as the Company's shareholders' equity attributable to equity holders of the Parent and debt (consisting of the Company's loans and borrowings). As at September 30, 2023, total managed capital is $57,923 (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 18 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

NOTE 18 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 nine months ended September 30, 2023, there were no transfers between levels. The Company does not have any level 3 financial instruments.

NOTE 19 – 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 $26,332 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 20 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

20.1 Key management personnel compensation

The Company has determined that key management personnel consist of directors and officers in the Company. The non-share-based compensation remuneration to directors and officers during the three and nine-month period ended September 30, 2023 was $423 and $1,273 respectively (September 30, 2022: $416 and $1,676 respectively) and is included in general and administrative expenses.

During the nine-month period ended September 30, 2023, the Company issued nil options at an average exercise price of $nil per share (September 30, 2022: 11,783,650 options at $0.17 per share) and nil RSUs (September 30, 2022: 15,958,621 RSUs) to its key management personnel and recognized total share-based compensation expense related to key management personnel of $1,112 (September 30, 2022: $1,849).

During the nine-month period ended September 30, 2023, the Company's key management personnel exercised nil options for gross proceeds of $nil (September 30, 2022: nil options for gross proceeds of $nil) and 7,876,759 RSUs were exercised into common shares amounting to $554 (September 30, 2022: 4,464,484 RSUs were exercised into common shares amounting to $386).

NOTE 20 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

20.2 Transactions and balances with key management personnel

As at September 30, 2023, the Company has $410 (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 21 – EVENTS AFTER THE REPORTING PERIOD

(i) Issued and cancelled stock options and RSUs

Subsequent to September 30, 2023, 300,268 options were forfeited resulting in 27,945,417 stock options remaining outstanding as of the date these Interim Financial Statements were approved by the Board of Directors of the Company.

Subsequent to September 30, 2023, 10,830 RSUs were forfeited and 1,707,087 RSUs were settled resulting in 8,837,613 RSUs remaining outstanding as of the date these Interim Financial Statements were approved by the Board of Directors of the Company.

(ii) Settlement of long outstanding receivable

Subsequent to September 30, 2023, the Company received cash payment of $3,000 and 1,573,152 common shares which the Company sold for net proceeds of $4,250 in connection with the settlement agreement entered into with a customer (Note 12.2).