

**MEDIPHARM LABS CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**JUNE 30, 2024 and 2023**

## **NOTICE OF NO AUDITOR REVIEW**

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

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## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at June 30, 2024 and December 31, 2023

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

	Notes	June 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		15,991	17,981
Trade and other receivables	5	6,220	5,866
Inventories	6	9,484	9,887
Biological assets	7	91	12
Other assets	8	1,675	1,094
		<b>33,461</b>	<b>34,840</b>
Assets held for sale	9	4,461	1,793
<b>Total current assets</b>		<b>37,922</b>	<b>36,633</b>
<b>Non-current assets:</b>			
Property, plant and equipment	10	20,071	25,272
Intangibles	10.2	943	1,032
Other assets	8	905	1,000
<b>Total non-current assets</b>		<b>21,919</b>	<b>27,304</b>
<b>Total assets</b>		<b>59,841</b>	<b>63,937</b>

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

## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at June 30, 2024 and December 31, 2023

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

	Notes	June 30, 2024	December 31, 2023
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Trade and other payables	13	7,205	6,750
Current employee benefit obligations		2,216	1,887
Loans and borrowings	11	2,763	2,226
<b>Total current liabilities</b>		<b>12,184</b>	<b>10,863</b>
<b>Non-current liabilities:</b>			
Loans and borrowings	11	47	69
<b>Total non-current liabilities</b>		<b>47</b>	<b>69</b>
<b>Total liabilities</b>		<b>12,231</b>	<b>10,932</b>
<b>Equity:</b>			
Common shares	14	200,946	200,244
Reserves		29,654	29,532
Accumulated other comprehensive loss		(64)	(39)
Accumulated deficit		(182,926)	(176,732)
<b>Total equity</b>		<b>47,610</b>	<b>53,005</b>
<b>Total liabilities and equity</b>		<b>59,841</b>	<b>63,937</b>

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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 six months ended June 30, 2024 and 2023

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

	Notes	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
Revenue	15	11,138	10,644	21,809	17,201
Excise taxes		(788)	(1,061)	(1,688)	(1,775)
<b>Net revenue</b>		<b>10,350</b>	<b>9,583</b>	<b>20,121</b>	<b>15,426</b>
Cost of sales		(6,762)	(8,140)	(13,834)	(13,596)
<b>Gross profit before change in fair value of biological assets</b>		<b>3,588</b>	<b>1,443</b>	<b>6,287</b>	<b>1,830</b>
Realized fair value adjustment on sale of inventories	7	(431)	(1,217)	(677)	(1,217)
Unrealized gain on changes in fair value of biological assets	7	261	629	459	629
<b>Gross profit</b>		<b>3,418</b>	<b>855</b>	<b>6,069</b>	<b>1,242</b>
General administrative expenses		(3,899)	(5,796)	(8,171)	(7,314)
Marketing and selling expenses		(1,456)	(1,667)	(2,785)	(3,036)
Research and development expenses		(27)	(53)	(74)	(89)
Share-based compensation expense	14,16	(576)	(588)	(1,471)	(1,335)
Other operating (expenses) income, net		(33)	(380)	134	(430)
<b>Operating loss</b>		<b>(2,573)</b>	<b>(7,629)</b>	<b>(6,298)</b>	<b>(10,962)</b>
Gain on bargain purchase	3	-	4,669	-	4,669
Finance income		200	189	424	439
Finance expense		(210)	(110)	(320)	(115)
<b>Loss before taxation</b>		<b>(2,583)</b>	<b>(2,881)</b>	<b>(6,194)</b>	<b>(5,969)</b>
<b>Net loss for the period</b>		<b>(2,583)</b>	<b>(2,881)</b>	<b>(6,194)</b>	<b>(5,969)</b>
Basic and diluted loss per share		(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of outstanding shares		404,780,792	388,229,366	404,429,601	331,904,295

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 six months ended June 30, 2024 and 2023

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

	Notes	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
<b>Net loss for the period</b>		<b>(2,583)</b>	<b>(2,881)</b>	<b>(6,194)</b>	<b>(5,969)</b>
<b>Other comprehensive income/(loss)</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		8	116	(25)	116
<b>Total comprehensive loss for the period</b>		<b>(2,575)</b>	<b>(2,765)</b>	<b>(6,219)</b>	<b>(5,853)</b>

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

## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2024 and 2023

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

	<u>Common Shares</u>		<u>Reserves</u>		Accumulated other comprehensive income/(loss)	Accumulated deficit	Total
	Number	Share capital	Share-based payments	Warrant reserve			
<b>Balance at January 1, 2023</b>	<b>282,164,905</b>	<b>191,256</b>	<b>23,303</b>	<b>5,095</b>	-	<b>(163,649)</b>	<b>56,005</b>
Shares issued on exercise of RSUs (Note 14)	7,378,352	500	(500)	-	-	-	-
Shares issued for the purchase of VIVO (Note 3)	107,930,964	8,095	-	-	-	-	8,095
Share based compensation	-	-	1,335	-	-	-	1,335
Foreign exchange translation	-	-	-	-	116	-	116
Net loss for the period	-	-	-	-	-	(5,969)	(5,969)
<b>Balance at June 30, 2023</b>	<b>397,474,221</b>	<b>199,851</b>	<b>24,138</b>	<b>5,095</b>	<b>116</b>	<b>(169,618)</b>	<b>59,582</b>
<b>Balance at January 1, 2024</b>	<b>401,397,439</b>	<b>200,244</b>	<b>24,437</b>	<b>5,095</b>	<b>(39)</b>	<b>(176,732)</b>	<b>53,005</b>
Shares issued on exercise of RSUs (Note 14)	9,438,645	690	(1,160)	-	-	-	(470)
Shares issued on exercise of options (Note 14)	158,686	12	(1)	-	-	-	11
Share based compensation (Note 14)	-	-	1,283	-	-	-	1,283
Foreign exchange translation	-	-	-	-	(25)	-	(25)
Net loss for the period	-	-	-	-	-	(6,194)	(6,194)
<b>Balance at June 30, 2024</b>	<b>410,994,770</b>	<b>200,946</b>	<b>24,559</b>	<b>5,095</b>	<b>(64)</b>	<b>(182,926)</b>	<b>47,610</b>

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

## MEDIPHARM LABS CORP.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2024 and 2023

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

	Notes	Six months ended June 30	
		2024	2023
<b>Cash flows from operating activities:</b>			
Net loss for the period		(6,194)	(5,969)
<b>Adjustments for:</b>			
Depreciation and amortization	10	1,521	1,182
Write down of inventory	6	323	851
Change in fair value of biological assets	7	218	588
Impairment of assets held for sale	9	77	-
Impairment of property, plant and equipment	10	-	161
Gain on disposal of property, plant and equipment	10	(296)	-
Change in expected credit loss	5,17	(57)	(2,010)
Finance income, net		(104)	(324)
Unrealized foreign exchange difference		(44)	241
Share based compensation		1,471	1,335
Gain on bargain purchase		-	(5,682)
		<b>(3,085)</b>	<b>(9,627)</b>
Change in trade and other receivables	5	(297)	749
Change in inventories	6	(43)	716
Changes in biological assets	7	(79)	21
Change in other assets	8	(581)	(516)
Change in trade and other payables	13	1,283	(2,700)
Change in other current tax receivable		-	129
Change in current employee benefit obligation		(330)	647
		<b>(3,132)</b>	<b>(10,581)</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	10	(77)	(92)
Cash acquired from business combination		-	1,013
Proceeds from sale of property, plant and equipment	10	347	-
Proceeds from sale of assets held for sale	9	220	-
		<b>490</b>	<b>921</b>
<b>Cash flows from financing activities:</b>			
Loan received	11	749	1,067
Repayment of loans and borrowings	11	(327)	(1,127)
Interest received		424	439
Interest paid		(132)	(102)
Payment of lease liabilities		(95)	(105)
		<b>619</b>	<b>172</b>
<b>Effects of exchange rate changes</b>		<b>33</b>	<b>85</b>
<b>Decrease in cash and cash equivalents</b>		<b>(1,990)</b>	<b>(9,403)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>17,981</b>	<b>24,145</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>15,991</b>	<b>14,742</b>

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

# MEDIPHARM LABS CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the three and six months ended June 30, 2024**

(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 Inc. (“Harvest Medicine” or “HMED”) 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 condensed interim consolidated financial statements of the Company as at and for the three and six months ended June 30, 2024 (the “Interim Financial Statements”), include the financial statements of the Company and its wholly owned 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:

<b>Subsidiaries</b>	<b>Registered Country</b>
MediPharm Labs Inc. (“MPL”)	Canada
MPL Property Holdings Inc.	Canada
ABcann Medicinals Inc.	Canada
Canna Farms Limited	Canada
Harvest Medicine Inc.	Canada
Green Earth Realty Inc.	Canada
Beacon Medical Germany GmbH	Germany
Beacon Medical Australia Pty Ltd	Australia
2612785 Ontario Inc.	Canada
MPL International Holdings Inc.	Canada
VIVO Cannabis Inc. (“VIVO”)	Canada
MPL Manufacturing Inc.	Canada
Patients’ Choice Botanicals Inc.	Canada
Universal Botanicals Inc.	Canada
2649924 Ontario Inc.	Canada

## **MEDIPHARM LABS CORP.**

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

#### **As at and for the three and six months ended June 30, 2024**

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

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#### **NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS**

##### **2.1 Basis of presentation**

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

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

On August 13, 2024, the Board of Directors of the Company approved these Interim Financial Statements.

###### **(ii) Historical cost convention**

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

###### **(iii) 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 Interim Financial Statements are presented in Canadian dollars, which is the Company’s functional currency, as this is the currency of the primary economic environment in which the Company operates (“the functional 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 condensed interim consolidated statements of loss on a net basis.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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)

##### *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).

#### (iv) Basis of consolidation

##### *Subsidiaries*

The percentage of voting power held by the parent company, MediPharm Labs Corp. and its subsidiaries and the total percentage of ownership interests at June 30 and December 31 are presented below:

Subsidiaries	Proportion of voting power held by the Company		
	(%)	(%)	(%)
	June 30, 2024	December 31, 2023	June 30, 2023
MediPharm Labs Inc.	100%	100%	100%
MPL Property Holdings Inc.	100%	100%	100%
MPL Manufacturing Inc.	100%	100%	100%
2612785 Ontario Inc.	100%	100%	100%
MPL International Holdings Inc.	100%	100%	100%
VIVO Cannabis Inc.	100%	100%	100%
ABcann Medicinals Inc.	100%	100%	100%
Canna Farms Limited	100%	100%	100%
Harvest Medicine Inc.	100%	100%	100%
Green Earth Realty Inc.	100%	100%	100%
Patients' Choice Botanicals Inc.	100%	100%	100%
Universal Botanicals Inc.	100%	100%	100%
Beacon Medical Germany GmbH	100%	100%	100%
Beacon Medical Australia Pty Ltd	100%	100%	100%
2649924 Ontario Inc.	100%	100%	100%

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 period are included in the condensed interim consolidated statements of

## **MEDIPHARM LABS CORP.**

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

#### **As at and for the three and six months ended June 30, 2024**

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

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

loss and condensed interim 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.

##### **(v) Business combination**

Judgment 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.

#### **2.2 New accounting pronouncements or policies adopted in 2024**

The Company adopted the following new standards and amendments to standards that were effective January 1, 2024. These changes did not have a material impact on these Interim Financial Statements.

- Amendments to IFRS 16
- Amendments to IAS 1

#### **2.3 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:

## **MEDIPHARM LABS CORP.**

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

**As at and for the three and six months ended June 30, 2024**

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

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

##### **(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.

##### **(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 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.

## **MEDIPHARM LABS CORP.**

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

#### **As at and for the three and six months ended June 30, 2024**

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

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

##### **(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 3 – BUSINESS COMBINATION**

On April 1, 2023, the Company completed the acquisition of 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 their Common Shares in VIVO.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the three and six months ended June 30, 2024**

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

#### NOTE 3 – BUSINESS COMBINATION (Continued)

The Company's allocation of the purchase price with regards to the Arrangement is as noted in the table below.

#### Consideration paid

Common Shares issued	8,095
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<b>Total consideration</b>	<b>8,095</b>
----------------------------	--------------

#### Fair value of net assets acquired

Cash and cash equivalents	1,013
---------------------------	-------

Trade and other receivables	2,154
-----------------------------	-------

Prepays and deposits	283
----------------------	-----

Inventories	4,017
-------------	-------

Biological assets	165
-------------------	-----

Property, plant & equipment	12,282
-----------------------------	--------

Intangible assets	880
-------------------	-----

Trade and other payables	(4,795)
--------------------------	---------

Lease liabilities	(179)
-------------------	-------

Convertible debentures	(2,306)
------------------------	---------

<b>Total identifiable net assets acquired</b>	<b>13,514</b>
---	---------------

<b>Gain on bargain purchase</b>	<b>(5,419)</b>
---------------------------------	----------------

Settlement of pre-existing relationship	750
---	-----

<b>Net gain on bargain purchase</b>	<b>(4,669)</b>
-------------------------------------	----------------

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

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

#### NOTE 4 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a favourable price due to its financial condition, which resulted in a gain on bargain purchase of \$5,419. Gain on bargain purchase is not taxable.

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Financial assets at amortized cost		
Cash and cash equivalents	15,991	17,981
Trade and other receivables (Note 5)	6,220	5,866
Financial liabilities at amortized cost		
Trade and other payables (Note 13)	7,205	6,750
Current employee benefit obligations	2,216	1,887
Loan and borrowings (Note 11)	2,810	2,295

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

#### NOTE 5 – TRADE AND OTHER RECEIVABLES

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Trade receivables, net	5,870	5,515
Other receivables (1)	62	79
HST/GST/VAT receivable	288	272
	<b>6,220</b>	<b>5,866</b>

(1) Other receivables primarily comprise accrued interest.

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

#### NOTE 6 – INVENTORIES

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Raw materials	1,734	2,198
Finished goods	6,411	6,418
Consumables and packages	1,339	1,271
	<b>9,484</b>	<b>9,887</b>

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.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

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

#### NOTE 6 – INVENTORIES (Continued)

For the three and six months ended June 30, 2024, the Company recognized write downs of the carrying value of its raw materials and finished goods of \$89 and \$323 (three and six months ended June 30, 2023: \$851 and \$851) in cost of sales.

#### NOTE 7 – BIOLOGICAL ASSETS

	June 30, 2024	December 31, 2023
As at January 1	12	-
Recognized on business combination	-	165
Unrealized gain on changes in fair value of biological assets	677	1,867
Transfer to inventories upon harvest	(598)	(2,020)
As at end of period	91	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 June 30, 2024, the Company's biological assets were, on average, 77% complete and it was expected that the biological assets would yield approximately 31kg of dry flower and 7kg of trim. As at June 30, 2024, the Company had 726 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.

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. The estimates for the growing cycle are unchanged from the three and six months ended June 30, 2023.
- Expected average harvest yield is 105g per plant (June 30, 2023 – 50g), approximately 80% of which is dry flower and 20% is trim (June 30, 2023 – 90% and 10%).
- Expected average fair value of \$1.80 per gram for flower products and \$0.07 per gram for trim at the time of harvest (June 30, 2023 - \$1.48 per gram for flower products and \$0.07 or trim).
- Expected average cost to complete harvest and cost of post-harvest activities to prepare bulk product is \$0.20 per gram (June 30, 2023 - \$0.60 per gram).

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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 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 June 30, 2024.

#### NOTE 8 – OTHER ASSETS

	June 30, 2024	December 31, 2023
<b>Current assets</b>		
Deposits and down payments (1)	475	265
Prepaid insurance	863	635
Other (2)	337	194
	<b>1,675</b>	<b>1,094</b>
	June 30, 2024	December 31, 2023
<b>Non-current assets</b>		
Deposits and down payments (1)	905	1,000
	<b>905</b>	<b>1,000</b>

(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.

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

#### NOTE 9 – ASSETS HELD FOR SALE

##### *Hope Site*

As at June 30, 2024, the Company no longer expects to recover the carrying value of its facility in Hope, British Columbia, including certain machinery and office equipment at the facility, through continuing use, but rather through a sale transaction. The net book value of this facility and the machinery and office equipment at the time of the decision was \$3,793. These assets are measured at their carrying values, which is less than fair value less costs to sell as at June 30, 2024. Efforts to sell the facility have commenced and a sale is expected to occur within the next twelve months.

## **MEDIPHARM LABS CORP.**

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

#### **As at and for the three and six months ended June 30, 2024**

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

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#### **NOTE 9 – ASSETS HELD FOR SALE (Continued)**

##### *Lands*

As at June 30, 2024, management was committed to a plan to sell a piece of land located at Yale Road in Hope, British Columbia. Accordingly, the company has presented the land as held for sale. Efforts to sell the land have commenced and a sale is expected within the next twelve months. The fair value less costs to sell the land as of June 30, 2024 was estimated to be \$668. During the six month period ended June 30, 2024, the Company recorded an impairment loss of \$77 in respect of this property, in other operating expenses in the Interim Financial Statements.

During the six month period ended June 30, 2024, the Company sold the land at Vanluven Road in Napanee, Ontario, previously classified as held for sale, for net proceeds of \$220.

##### *Production machinery*

During the six month period ended June 30, 2024, the Company derecognized the balance in assets held for sale (\$829) for certain production machinery against the proceeds for the machinery (\$829) previously classified as contract liabilities as the acquiring entity took possession of the assets which had been purchased and paid for in a previous period.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the three and six months ended June 30, 2024**

(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, 2024	Additions	Transfers (2)	Transfer to Assets held for sale	Disposals	June 30, 2024
<b>Cost</b>						
Land	2,813	-	-	(950)	-	1,863
Building and building improvements	27,837	2	-	(2,890)	-	24,949
Leasehold improvements	209	-	-	-	-	209
Computers	1,380	6	1	-	(4)	1,383
Office equipment	255	-	-	(42)	-	213
Machinery and plant equipment	15,825	67	2,500	(186)	(5,482)	12,724
Motor vehicles	37	-	-	-	-	37
Security equipment	738	-	-	-	-	738
Construction in progress (1)	2,500	2	(2,501)	-	-	1
Right-of-use assets (Note 10.1)	658	-	-	-	(437)	221
	<b>52,252</b>	<b>77</b>	<b>-</b>	<b>(4,068)</b>	<b>(5,923)</b>	<b>42,338</b>
<b>Less: Accumulated depreciation and impairment losses</b>						
Building and building improvements	9,327	467	-	(181)	-	9,613
Leasehold improvements	154	4	-	-	-	158
Computers	1,344	18	-	-	(3)	1,359
Office equipment	201	20	-	(21)	-	200
Machinery and plant equipment	12,263	871	2,409	(73)	(5,432)	10,038
Motor vehicles	33	3	-	-	-	36
Security equipment	718	11	-	-	-	729
Construction in progress	2,410	-	(2,409)	-	-	1
Right-of-use assets (Note 10.1)	532	38	-	-	(437)	133
	<b>26,982</b>	<b>1,432</b>	<b>-</b>	<b>(275)</b>	<b>(5,872)</b>	<b>22,267</b>
<b>Net book value</b>	<b>25,270</b>					<b>20,071</b>

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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)

- (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.

#### 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 condensed interim consolidated statements of loss for the three and six months ended June 30, 2024, is \$14 and \$26 respectively (three and six months ended June 30, 2023: \$7 and \$13, respectively).

	January 1, 2024	Additions	Disposals	June 30, 2024
<b>Cost</b>				
<b>Right-of-use assets</b>				
-Land	117	-	(117)	-
-Building	342	-	(121)	221
-Equipment	167	-	(167)	-
-IT equipment	32	-	(32)	-
	<b>658</b>	<b>-</b>	<b>(437)</b>	<b>221</b>
<b>Less: Accumulated depreciation and impairment</b>				
<b>Right-of-use assets</b>				
-Land	117	-	(117)	-
-Building	221	33	(121)	133
-Equipment	167	-	(167)	-
-IT equipment	27	5	(32)	-
	<b>532</b>	<b>38</b>	<b>(437)</b>	<b>133</b>
<b>Net book value</b>	<b>126</b>			<b>88</b>

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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)

##### 10.2 Intangible assets

	January 1, 2024	Additions	June 30, 2024
<b>Cost</b>			
Brands	950	-	950
Licenses	225	-	225
GMP certification	180	-	180
	<b>1,355</b>	<b>-</b>	<b>1,355</b>
<b>Less: Accumulated amortization and impairment</b>			
Brand	272	54	326
Licenses	34	23	57
GMP certification	17	12	29
	<b>323</b>	<b>89</b>	<b>412</b>
<b>Net book value</b>	<b>1,032</b>		<b>943</b>

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

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

#### NOTE 11 – LOANS AND BORROWINGS

	June 30, 2024	December 31, 2023
<b>Current liabilities</b>		
Convertible debentures (1)	1,962	1,778
Other loans and borrowings (2)	749	327
Lease liability (3)	52	121
	<b>2,763</b>	<b>2,226</b>
	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>Non-current liabilities</b>		
Lease liability (3)	47	69
	<b>47</b>	<b>69</b>
<b>Total loans and borrowings</b>	<b>2,810</b>	<b>2,295</b>

- (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.

	June 30, 2024	December 31, 2023
As at January 1	1,778	-
Recognized on business combination	-	2,306
Principal repayment	-	(500)
Interest payment	-	(53)
Accretion	184	5
As at end of period	1,962	1,758

- (2) 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 \$749 and repaid \$nil during the three and six months ended June 30, 2024. The debt has a maturity date of March 30, 2025, bears an interest rate of 7.7% and is repayable in 9 remaining equal monthly instalments. Under the previous financing arrangement, the Company repaid \$110 and \$327 during the three and six months ended June 30, 2024.
- (3) 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.

## **MEDIPHARM LABS CORP.**

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

#### **As at and for the three and six months ended June 30, 2024**

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

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### **NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS**

#### **12.1 Litigation**

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.

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.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

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

#### NOTE 13 – TRADE AND OTHER PAYABLES

	June 30, 2024	December 31, 2023
Payable to suppliers	2,650	2,130
Accrued liabilities	3,231	3,018
Contract liabilities	40	112
Deposits from customers	597	279
Deposits on assets held for sale	-	829
Other	687	382
	<b>7,205</b>	<b>6,750</b>

Payable to suppliers are amounts due to vendors for unpaid goods and services received arising in the ordinary course of business. Trade payables are typically short term in nature with due dates less than 60 days. Accrued liabilities mainly result from products and services received from third parties related to ordinary course of business for which invoices have not been received as of the reporting date, and also includes severance liabilities of \$808 (December 31, 2023: \$633). Contract liabilities comprise of advance consideration received from customers for contracts that include revenue recognition over time. During the three and six months ended June 30, 2024, the Company recognized revenue amounting to \$36 and \$72 respectively from contract liabilities and received additional advance consideration of \$nil. Deposits from customers comprise of down payments from customers for products to be delivered. Other includes HST/GST/QST payable and excise tax payable.

#### 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.

For the six months ended June 30, 2024, 158,686 stock options (June 30, 2023: nil stock options) were exercised into Common Shares for proceeds of \$11 (June 30, 2023: \$nil), resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of \$12 (June 30, 2024: \$nil). In addition, during the six months ended June 30, 2024, 15,867,421 RSUs (June 30, 2023: 7,378,352) were settled through issuance of 9,438,645 Common Shares, resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of \$690 (June 30, 2023: \$500). The unissued shares are withheld for taxes.

##### 14.2 Stock options / Share based compensation

During the six months ended June 30, 2024, the Company did not grant any options to purchase Common Shares under the Company's omnibus equity incentive plan (the "Plan").

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

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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)

period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

	2024	2023
	Number of options	Number of options
	Weighted average exercise price \$	Weighted average exercise price \$
As at January 1	40,938,502	26,642,138
Issued during the period	-	-
Exercised during the period	(158,686)	-
Forfeited/cancelled during the period	(5,607,005)	(799,300)
<b>As at June 30</b>	<b>35,172,811</b>	<b>25,842,838</b>

The range of exercise prices for options outstanding as at June 30, 2024 is as below:

Exercise price range	Weighted average remaining contractual life (years)	Number of outstanding options
	2024	2024
Equal to \$0.06 and less than \$0.10 <sup>(1)</sup>	1.98	21,214,511
Equal to \$0.10 and less than \$0.15	0.57	5,183,650
Equal to \$0.15 and less than \$0.20	0.65	6,700,000
Equal to \$0.20 and less than \$0.50	0.02	310,000
Equal to \$0.50 and less than \$1.00	0.04	630,000
Equal to and more than \$1.00	0.04	1,134,650
		<b>35,172,811</b>

(1) No options had an exercise price less than \$0.06.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

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

	<b>2024</b>	<b>2023</b>
	<b>Number of RSUs</b>	<b>Number of RSUs</b>
As at January 1	24,670,248	18,802,632
Granted during the period	-	-
Exercised during the period	(15,867,421)	(7,378,352)
Forfeited during the period	(470,100)	(67,712)
<b>As at June 30</b>	<b>8,332,727</b>	<b>11,356,570</b>

#### 14.3 Share purchase warrants

On closing of the Acquisition, 19,166,667 warrants previously issued by VIVO were assumed by the Company, with each former VIVO warrant becoming exercisable into 0.2910 of a Common Share at an exercise price equal to \$0.26 per 0.2910 of a Common Share. The former VIVO warrants expired on February 26, 2024.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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		Six months ended	
	June 30 2024	2023	June 30 2024	2023
Canada	5,837	6,443	12,380	10,437
International sales				
Australia	2,126	1,988	3,954	2,039
Germany	2,350	1,040	3,714	2,263
Other	37	112	73	687
	<b>10,350</b>	<b>9,583</b>	<b>20,121</b>	<b>15,426</b>
Canadian Adult Use and Wellness	1,512	2,443	3,627	5,360
Canadian Medical Cannabis				
Clinics	585	629	1,151	629
Other Canadian Medical Cannabis	2,943	3,151	5,839	3,765
	<b>3,528</b>	<b>3,780</b>	<b>6,990</b>	<b>4,394</b>
International Medical Cannabis	4,477	3,023	7,650	4,838
Pharmaceutical and B2B	833	337	1,854	834
	<b>10,350</b>	<b>9,583</b>	<b>20,121</b>	<b>15,426</b>
Products transferred at a point in time	9,647	9,305	18,492	14,898
Products and services transferred over time	703	278	1,629	528
	<b>10,350</b>	<b>9,583</b>	<b>20,121</b>	<b>15,426</b>

For the three months ended June 30, 2024, the Company had only two customers (three months ended June 30, 2023: two) which individually contributed 10% or more of the Company's total revenue for the period. Individually, these customers represented 18.8% and 11.5% of total revenue for the three months ended June 30, 2024 (three months ended June 30, 2023: two customers represented 19.5%, 11.6%). The Company had no other customer that represented more than 10% of the Company's total revenues for the three months ended June 30, 2024.

For the six months ended June 30, 2024, the Company had only one customer (six months ended June 30, 2023: two) which individually contributed 10% or more of the Company's total revenue for the period. Individually, this customer represented 17.8% of total revenue for the six months ended June 30, 2024 (six months ended June 30, 2023: two customers represented 15.3% and 12.1%). The Company had no other customer that represented more than 10% of the Company's total revenues for the six months ended June 30, 2024.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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		Six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Inventory and consumables recognized in cost of sales	3,277	2,682	6,484	5,755
Fair value adjustments in cost of sales	170	588	218	588
Write down of inventory to net realizable value (Note 6)	89	851	323	851
Employee compensation (4)	4,304	7,225	9,139	10,298
Consulting and professional fees (5)	792	1,381	1,694	2,558
ECL on trade receivables (2)	(80)	(464)	(57)	(2,010)
Share based compensation expense (3)	576	588	1,471	1,335
Supplies and small equipment	243	386	529	582
Depreciation and amortization	732	692	1,522	1,182
Rent and occupancy cost	323	327	655	457
Foreign exchange (gain) loss	(9)	175	10	214
Analytical testing	341	301	622	598
Advertising and promotion	224	349	483	722
Insurance	316	497	654	897
Software and licenses	246	335	507	531
Freight	446	589	829	589
Other (1)	933	710	1,336	1,241
	<b>12,923</b>	<b>17,212</b>	<b>26,419</b>	<b>26,388</b>

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

(2) During the six months ended June 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 six months ended June 30, 2023, in general administrative expenses.

(3) For the six months ended June 30, 2024, out of total share-based compensation expense of \$1,472 (June 30, 2023: \$1,335), general administrative expense portion is \$1,236 (June 30, 2023: \$1,145), marketing and selling expense portion is \$75 (June 30, 2023: \$111), cost of sales portion is \$110 (June 30, 2023: \$79) and research and development portion is \$48 (June 30, 2023: \$nil).

For the three months ended June 30, 2024, out of total share-based compensation expense of \$576 (June 30, 2023: \$588), general administrative expense portion is \$471 (June 30, 2023: \$499), marketing and selling expense portion is \$36 (June 30, 2023: \$52), cost of sales portion is \$46 (June 30, 2023: \$37) and research and development portion is \$23 (June 30, 2023: \$nil).

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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)

(4) Employee compensation includes severance cost in relation to restructuring measures undertaken by the Company during the year. For the three and six months ended June 30, 2024, the severance cost incurred in relation to the restructuring amounted to \$312 and \$1,067 (three and six months ended June 30, 2023: \$1,695 and \$1,695).

(5) Consulting and professional fees primarily consist of audit and tax, information technology, quality assurance, and legal services.

#### 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 \$15,991 (December 31, 2023: \$17,981). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks, large credit unions, or other large foreign banks.

##### 17.1 Credit risk (Continued)

At June 30, 2024, the exposure to credit risk for gross trade receivables and contract assets by the type of customer is as follows:

	June 30, 2024	December 31, 2023
Business to business customers	4,930	4,691
Insurance companies	278	-
Distributors / Retailers (1)	777	1,046
	<b>5,985</b>	<b>5,737</b>

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

As at June 30, 2024, the Company holds trade receivables from three customers representing 22%, 21% and 12% of total trade receivables of total trade receivables (December 31, 2023: five customers representing 20%, 12%, 11%, 10%, and 10%). The Company had no other customer that represented more than 10% of the Company's gross trade receivables.

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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)

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 \$115 (December 31, 2023: \$208).

The aging of the Company's trade receivables at June 30, 2024 is as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
	<b>Carrying amount</b>	<b>Carrying amount</b>
Current (not past due)	3,099	4,414
1-30 days past due	2,554	991
31-90 days past due	130	79
90-270 days past due	174	45
270-365 days past due	-	170
>365 days	28	24
<b>Gross trade receivables</b>	<b>5,985</b>	<b>5,723</b>
Expected credit losses	(115)	(208)
<b>Net trade receivables</b>	<b>5,870</b>	<b>5,515</b>

#### 17.1 Credit risk (Continued)

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

	<b>2024</b>	<b>2023</b>
Balance at January 1	208	6,210
Net remeasurement of loss allowance	(93)	(6,114)
<b>Expected credit losses as at June 30</b>	<b>115</b>	<b>96</b>

## MEDIPHARM LABS CORP.

### NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the three and six months ended June 30, 2024

(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 \$15,991 (December 31, 2023: \$17,981) 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.

<b>Contractual maturities of financial liabilities At June 30, 2024</b>	<b>Total Less than 6 months</b>	<b>6-12 months</b>	<b>12-36 months</b>	<b>36-60 months</b>	<b>Contractual cash flows</b>	<b>Carrying amount</b>
Trade and other payables	6,806	249	150	-	7,205	7,205
Employee benefit obligations	1,347	869	-	-	2,216	2,216
Convertible debt	2,047	-	-	-	2,047	1,962
Loans and borrowings	543	233	-	-	776	749
Lease liability	32	23	47	-	102	99
<b>Total financial liabilities</b>	<b>10,775</b>	<b>1,374</b>	<b>197</b>	<b>-</b>	<b>12,346</b>	<b>12,231</b>

##### 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.

## **MEDIPHARM LABS CORP.**

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

#### **As at and for the three and six months ended June 30, 2024**

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

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

##### **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 and debt (consisting of the Company's loans and borrowings). As at June 30, 2024, total managed capital is \$50,420 (December 31, 2023: \$55,300). 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;

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 six months ended June 30, 2024, 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 \$21,917 and \$2 (December 31, 2023: \$27,300 and \$3), respectively and these assets are primarily made up of property, plant and equipment and deposits given for property, plant and equipment.

## **MEDIPHARM LABS CORP.**

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

#### **As at and for the three and six months ended June 30, 2024**

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

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#### **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 six months ended June 30, 2024 was \$411 and \$821 respectively (three and six months ended June 30, 2023: \$433 and \$849 respectively) and is included in general and administrative expenses.

During the six months ended June 30, 2024 the Company issued nil options at an average exercise price of \$nil per share (six months ended June 30, 2023: nil options at \$nil per share) and nil RSUs (six months ended June 30, 2023: nil RSUs) to its key management personnel and recognized total share-based compensation expense related to key management personnel of \$868 (six months ended June 30, 2023: \$870).

During the six months ended June 30, 2024, the Company's key management personnel exercised nil options for gross proceeds of \$nil (six months ended June 30, 2023: nil options for gross proceeds of \$nil) and 12,343,348 RSUs were settled through the issuance of 7,800,968 Common Shares amounting to \$742 (six months ended June 30, 2023: 5,943,570 RSUs were exercised through the issuance of 5,943,570 common shares amounting to \$409). The unissued shares are withheld for taxes.

##### **20.2 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 six months ended June 30, 2024 and 2023.

As at June 30, 2024, the Company has \$320 (December 31, 2023: \$360) due to key management personnel and no amount was due to entities over which they have control or significant influence (December 31, 2023: \$nil). The balance due to key management personnel comprise of accrued compensation and is included in current employee benefit obligations in the condensed interim consolidated statements of financial position.

#### **NOTE 21 – EVENTS AFTER THE REPORTING PERIOD**

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

Subsequent to June 30, 2024, 183,104 options were forfeited resulting in 34,989,707 stock options remaining outstanding as of the date these Interim Financial Statements were approved by the Board of Directors of the Company.

Subsequent to June 30, 2024, 20,769 RSUs were forfeited and 162,500 RSUs were settled through the issuance of 75,513 Common Shares resulting in 8,149,458 RSUs remaining outstanding as of the date these Interim Financial Statements were approved by the Board of Directors of the Company.