Avicanna Inc.
Condensed Consolidated Interim Financial Statements
Unaudited
For the Three Months Ended March 31, 2025, and 2024
(Expressed in Canadian dollars, unless otherwise noted)

Avicanna Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars, unless otherwise noted)

	Note	March 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash		$ 456,759	$ 448,028
Amounts receivable	4	2,374,225	2,748,234
Prepaid assets		436,493	470,339
Biological assets	5	278,212	41,128
Inventory	6	4,068,830	3,933,443
Total current assets		**7,614,519**	**7,641,172**
Right of use asset	9	67,409	100,929
Property and equipment	7	11,921,066	11,171,910
Intangible assets	8	808,298	868,921
Goodwill		334,000	334,000
Total assets		**$ 20,745,292**	**$ 20,116,932**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables and accrued liabilities		$ 7,345,680	$ 7,771,623
Lease liability	11	73,500	109,227
Deferred revenue – current portion	10	415,935	415,935
Royalty Liability	13	300,132	300,132
Non-controlling interest contribution liability	14	782,679	672,305
Total current liabilities		**8,917,926**	**9,269,222**
Deferred revenue	10	1,002,113	1,106,096
Total liabilities		**9,920,039**	**10,375,318**
Shareholders' Equity			
Share capital	15	87,463,019	87,000,350
Warrants	15	12,494,122	12,494,122
Share-based payment reserve	16	6,785,507	7,040,868
Accumulated other comprehensive loss		(1,576,305)	(2,132,320)
Deficit		(102,144,354)	(102,090,161)
Equity attributable to shareholders of the Company		3,021,989	2,312,859
Non-controlling interest	17	7,803,264	7,428,755
Total equity		**10,825,253**	**9,741,614**
Total liabilities and shareholders' equity		**$ 20,745,292**	**$ 20,116,932**

Nature of operations and going concern uncertainty – Note 1

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Approved by the Board

/s/ Eileen McCormack, Director

/s/ John McVicar, Audit Committee Chair, Director

Avicanna Inc.
Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2025, and 2024
(Expressed in Canadian Dollars, unless otherwise noted)

		For the Three Months Ended March 31,	
	Note	**2025**	**2024**
Revenue			
Service Revenue		$ 499,005	$ 75,000
License Revenue	10	500,483	455,533
Product Sales		5,324,713	5,915,127
Total Revenue		**6,324,201**	**6,445,660**
Cost of goods sold		(2,782,814)	(3,138,063)
Gross profit before the undernoted		**3,541,387**	**3,307,597**
Inventory impairment	6	(2,887)	(31,035)
Fair value changes in biological assets included in inventory sold		-	(282,061)
Unrealized (loss) gain on changes in fair value of biological assets		65,567	1,312
Gross profit		**3,604,067**	**2,995,813**
Expenses			
General and administrative	19	3,109,572	3,289,824
Share-based compensation	16	207,308	336,300
Depreciation and amortization	7,8,9	192,993	224,244
Expected credit loss	4	-	35,367
Total Expenses		**(3,509,873)**	**(3,885,735)**
Other income (expenses)			
Foreign exchange loss		(9,165)	(10,106)
Other income		21,317	10,448
Interest expense		(29,790)	(74,240)
Accretion	11	(1,835)	(53,808)
Net income (loss)		**$ 74,721**	**$ (1,017,628)**
Exchange differences on translation of foreign operations		801,610	519,390
Comprehensive income (loss)		**$ 876,331**	**$ (498,238)**
Comprehensive income attributable to non – controlling interest	17	374,509	298,428
Comprehensive income (loss) attributable to Shareholders		501,822	(796,666)
Total comprehensive income (loss)		**$ 876,331**	**$ (498,238)**
Weighted average number of common shares – basic and diluted		110,368,745	90,834,210
Comprehensive loss per share – basic and diluted		$ -	$ (0.01)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Avicanna Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Three Months Ended March 31, 2025, and 2024
(Expressed in Canadian Dollars, unless otherwise noted)

		Common shares		**Warrants**	**Share-based payment Reserve**	**Deficit**	**Accumulated other comprehensive loss**	**Non-controlling interest**	**Total**
	Note	**#**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at December 31, 2024		**110,215,490**	**87,000,350**	**12,494,122**	**7,040,868**	**(102,090,161)**	**(2,132,320)**	**7,428,755**	**9,741,614**
Share based compensation	16	-	-	-	207,308	-	-	-	207,308
Settlement of RSUs	16	1,645,234	462,669	-	(462,669)	-	-	-	-
Foreign exchange translation		-	-	-	-	-	556,015	245,595	801,610
Net loss		-	-	-	-	(54,193)	-	128,914	74,721
Balance at March 31, 2025		**111,860,724**	**87,463,019**	**12,494,122**	**6,785,507**	**(102,144,354)**	**(1,576,305)**	**7,803,264**	**10,825,253**

Balance at December 31, 2023		**90,676,969**	**81,025,495**	**12,118,194**	**6,890,762**	**(98,714,758)**	**(1,495,197)**	**8,084,615**	**7,972,111**
Share based compensation	16	-	-	-	336,300	-	-	-	336,300
Settlement of RSUs	16	1,610,968	598,552	-	(598,552)	-	-	-	-
Exercise of warrants	15	312,000	173,697	(48,987)	-	-	-	-	124,800
Foreign exchange translation		-	-	-	-	-	(7,979)	527,369	519,390
Net loss		-	-	-	-	(788,687)	-	(228,941)	(1,017,628)
Balance at March 31, 2024		**92,599,937**	**81,794,744**	**12,069,297**	**6,631,510**	**(99,503,445)**	**(1,503,155)**	**8,383,043**	**7,871,994**

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Avicanna Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31, 2025, and 2024
(Expressed in Canadian Dollars, unless otherwise noted)

		For the Three Months Ended March 31,	
	Note	**2025**	**2024**
Cash flows from operating activities			
Net income (loss)		$ 74,721	$ (1,017,628)
Depreciation and amortization	7,8,9	192,993	224,244
Accretion	11	1,835	53,809
Share-based compensation	16	207,308	336,300
Deferred revenue incurred, net of recognized revenue	10	(103,983)	(103,982)
Expected credit losses	4	-	35,367
Changes in non-cash operating elements of working capital	23	(390,559)	594,320
Cash provided by (used in) operating activities		**(17,685)**	**122,430**
Cash flows from investing activities			
Purchase of capital assets	8	(140,025)	(48,334)
Cash provided by (used in) investing activities		**(140,025)**	**(48,334)**
Cash flows from financing activities			
Payment of lease liability	11	(37,562)	(37,563)
Proceeds from issuance of common shares, net of costs	15	-	(58,865)
Increase in non-controlling interest contributions	14	68,194	137,359
Proceeds from exercise of warrants	15	-	124,800
Cash provided by financing activities		**30,632**	**165,731**
Net increase (decrease) in cash		**(126,078)**	**239,827**
Effect of foreign exchange differences		135,809	133,645
Cash, beginning of period		448,028	477,198
Cash, end of period		**$ 456,759**	**$ 850,670**

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Avicanna Inc. ("Avicanna" or the "Company") was incorporated in Ontario, Canada. The Company is a commercial-stage international biopharmaceutical company focused on the advancement and commercialization of evidence-based cannabinoid-based products and formulations for the global medical and pharmaceutical market segments. Avicanna has an established scientific platform including R&D and clinical development that has led to the commercialization of more than thirty proprietary finished products.

The registered office of the Company is located at 480 University Avenue, Suite 1502, Toronto, Ontario. The Company's common shares are listed under the symbol "AVCN" on the Toronto Stock Exchange ("TSX"); the OTC US exchange under the symbol "AVCNF"; and the Frankfurt Stock Exchange under the symbol "0NN".

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

As of March 31, 2025, the Company has an accumulated deficit of $102,144,354 (December 31, 2024 - $102,090,161), cash of $456,759 (December 31, 2024 – $448,028), and a working capital deficit of $1,303,407 (December 31, 2024 – deficit of $1,628,050). Additionally, the Company incurred a net income after taxes of $74,721 and used $17,685 of cash from operating activities during the period ended on March 31, 2025. In the prior period, the Company incurred a net loss of $1,017,628 and provided $122,430 of cash from operating activities. The Company may need to raise additional financing to continue operations, product development and clinical research. Although the Company has been successful, and believes it will continue to be successful, in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company's Board of Directors on May 14, 2025.

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for biological assets and derivative financial instruments, which are measured at fair value through profit and loss, as explained in the accounting policies below. The Company operates in three business segments: two based on geographic region; Canada and International, and Corporate, which is comprised of costs which serve the Company's global administrative responsibilities.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of each subsidiary is presented in the table below.

2. BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, over an entity and is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through the power it has. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. The following is a list of the Company's operating subsidiaries.

Subsidiaries	Jurisdiction of Incorporation	Ownership Interest	Functional currency
Avicanna (UK) Limited ("Avicanna UK")	United Kingdom	100%	British Pound Sterling
Avicanna USA Inc. ("Avicanna USA")	United States of America	100%	United States Dollar
Avicanna LATAM S.A.S. ("LATAM")	Republic of Colombia	100%	Colombian Peso
Santa Marta Golden Hemp S.A.S. ("SMGH")	Republic of Colombia	51%	Colombian Peso
Sigma Analytical Magdalena S.A.S.	Republic of Colombia	60%	Colombian Peso
Sigma Magdalena Canada Inc.	Ontario, Canada	60%	Canadian Dollar
2516167 Ontario Inc. ("MyCannabis")	Ontario, Canada	100%	Canadian Dollar

Intragroup balances, and any unrealized gains and losses or income and expenses arising from transactions with jointly controlled entities are eliminated to the extent of the Company's interest in the entity.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount recognized initially, plus the non-controlling interests' share of changes in the capital of the company in addition to changes in ownership interests. Total comprehensive income or loss is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within gain (loss) on foreign exchange.

Foreign currency translation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The income and expenses of foreign operation are translated into Canadian dollars at the dates of the transactions. Foreign currency differences due to translation are recognized in other comprehensive income ("OCI") and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests ("NCI").

Use of judgments, estimates and assumptions

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

2. BASIS OF PRESENTATION (CONTINUED)

Business combinations
Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case-by-case basis. As outlined in IFRS 3, the components of a business must include inputs, processes and outputs.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company may utilize an independent external valuation expert to develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Biological assets and inventory
In calculating the fair value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. Inventories of harvested cannabis are valued at the lower of cost or net realizable value. The Company estimates the net realizable value of inventories, considering the most reliable evidence available at the reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company’s inventory valuation and gross profit.

Estimated useful life of long-lived assets
Judgment is used to estimate each component of a long-lived asset’s useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets
When there are indications that an asset may be impaired, the Company is required to estimate the asset’s recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate to calculate present value. In addition to assessing evidence of possible impairment, the Company also determines whether there is any indication that a previously recognized impairment loss for an asset other than goodwill no longer exists or may have decreased. The Company determines whether there has been a change in the estimate used to determine the asset’s recoverable amount since the last impairment loss is recognized.

Fair value measurements
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. BASIS OF PRESENTATION (CONTINUED)

Functional currency
The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Provisions
Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the condensed consolidated interim financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

Leases
The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease-by-lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option.

Income tax provisions
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the consolidated statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Determination of share-based payments
The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

3. MATERIAL ACCOUNTING POLICY INFORMATION

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's audited consolidated financial statements for the year ended December 31, 2024.

(Expressed in Canadian dollars, unless otherwise noted)

4. AMOUNTS RECEIVABLE

		March 31, 2025		December 31, 2024
Trade and other receivables	$	2,391,187	$	2,951,968
Sales tax receivable		415,416		357,857
Expected credit loss provision		(432,378)		(561,591)
Total amounts receivable	**$**	**2,374,225**	**$**	**2,748,234**

5. BIOLOGICAL ASSETS

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

		March 31, 2025		December 31, 2024
Opening balance	$	41,128	$	83,179
Production costs capitalized		241,543		231,549
Transferred to inventory upon harvest		(7,060)		(269,651)
Foreign exchange translation		2,601		(3,949)
Ending balance	**$**	**278,212**	**$**	**41,128**

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants and seeds currently being cultivated and then adjusts that amount for the expected selling price less costs to sell per gram. During the period, the Company also cultivated seeds which have been transferred into inventory.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The following table quantifies each significant unobservable input and provides the impact that a 10% increase/decrease in each input would have on the fair value of biological assets.

Assumptions: CBD Isolate	As of March 31, 2025		As of December 31, 2024	
	Input	Effect on Fair Value	Input	Effect on Fair Value
CBD Isolate Yield	4.5%	($6,522)	4.6%	($4,215)
CBD Isolate Price (USD/KG)	1,645	($6,556)	1,852	($4,241)
Weighted average of expected loss of plants until harvest [i]	4.1%	$53	0.0%	-
Expected yields for cannabis plants (average grams per plant)	81	$1,298	187	$920
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	14%	$1,298	12%	$920
Estimated fair value less costs to complete and sell (per gram) [ii]	$0.11	($0.09)	($0.10)	$550
After harvest cost to complete and sell (per gram)	$0.07	$0.06	$0.06	$370

(Expressed in Canadian dollars, unless otherwise noted)

5. BIOLOGICAL ASSETS (CONTINUED)

Assumptions: THC Resin	As of March 31, 2025 Input	As of March 31, 2025 Effect on Fair Value	As of December 31, 2024 Input	As of December 31, 2024 Effect on Fair Value
THC Resin Yield	9.0%	$28,207	7.5%	$30,331
THC Resin Price (USD/KG)	1,900	$28,207	1,759	$30,331
Weighted average of expected loss of plants until harvest [i]	4.1%	$12	4.1%	$4
Expected yields for cannabis plants (average grams per plant)	81	$296	81	$101
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	14%	$296	14%	$101
Estimated fair value less costs to complete and sell (per gram) [ii]	$0.11	$776	$0.05	$349
After harvest cost to complete and sell (per gram)	$0.07	$479	$0.06	$450

[i] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[ii] The estimated fair value less costs to complete and sell (per gram/unit) represents the expected sales price for the Company's active ingredients including isolate and resins less the remaining costs to complete and sell that product as finished product which is inclusive of all production activities.

These estimates are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company estimates the harvest yields for cannabis at various stages of growth. As of March 31, 2025, it is expected that the Company's cannabis plants biological assets will yield approximately 1,612,300 grams of dry cannabis (December 31, 2024 – 614,000 grams).

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

An unrealized gain on biological assets of $65,567 was included in costs of goods sold for the three months ended March 31, 2025 (March 31, 2024 – $1,312).

(Expressed in Canadian dollars, unless otherwise noted)

6. INVENTORY

	Capitalized Cost	Biological assets fair value adjustment	Impairment	Carrying Value
Harvested Cannabis				
Seeds	$ 78,535	$ -	$ (78,535)	$ -
Dried Flower	489,755	1,931,835	(1,907,618)	513,971
	568,290	**1,931,835**	**(1,986,153)**	**513,971**
Active Pharmaceutical Ingredients				
Work in process	459,510	693,572	(580,347)	572,735
Finished goods	28,469	-	(7,021)	21,448
	487,979	**693,572**	**(587,368)**	**594,183**
Supplies and consumables	743,290	-	(11,444)	731,846
Finished goods	2,244,116	-	(15,286)	2,228,830
March 31, 2025	**$ 4,043,675**	**$ 2,625,407**	**$ (2,600,251)**	**$ 4,068,830**

	Capitalized Cost	Biological assets fair value adjustment	Impairment	Carrying Value
Harvested Cannabis				
Seeds	$ 74,478	$ -	$ (74,478)	$ -
Wet Flower	123,580	(95,470)	-	28,110
Dried Flower	460,622	1,912,390	(1,889,318)	483,693
	658,680	**1,816,920**	**(1,963,796)**	**511,803**
Active Pharmaceutical Ingredients				
Work in process	530,482	652,315	(641,615)	541,182
Finished goods	6,603	-	(6,603)	-
	537,085	**652,315**	**(648,218)**	**541,182**
Supplies and consumables	**828,913**	**-**	**(10,764)**	**818,149**
Finished goods	**2,076,686**	**-**	**(14,377)**	**2,062,309**
December 31, 2024	**$ 4,101,364**	**$ 2,469,235**	**$ (2,637,155)**	**$ 3,933,443**

The value of inventory transferred to cost of goods sold during the three months ended March 31, 2025, was $2,782,814 (March 31, 2024 - $3,138,063).

(Expressed in Canadian dollars, unless otherwise noted)

7. PROPERTY AND EQUIPMENT

	Equipment $	Land $	Construction in Progress $	Infrastructure and Buildings $	Total $
Cost					
December 31, 2024	5,025,754	6,919,647	219,678	1,597,974	13,925,883
Additions	84,581	-	55,444	-	140,025
Foreign exchange translation	266,408	416,869	30,116	90,349	803,742
March 31, 2025	**5,376,743**	**7,007,971**	**561,731**	**1,617,117**	**14,563,562**
Accumulated Depreciation					
December 31, 2024	2,053,444	-	-	394,441	2,447,885
Depreciation	76,235	-	-	22,616	98,851
Foreign exchange translation	77,140	-	-	18,620	95,760
March 31, 2025	**2,206,819**	**-**	**-**	**435,677**	**2,642,496**
Net Book Value					
December 31, 2024	2,972,310	6,591,102	476,171	1,132,327	11,171,910
March 31, 2025	**3,169,924**	**7,007,971**	**561,731**	**1,181,440**	**11,921,066**

During the three months ended March 31, 2025, the Company recognized depreciation expense on its property and equipment of $98,851 (March 31, 2024 - $107,302).

8. INTANGIBLE ASSETS

	Customer Relationships $	Ecommerce Platform $	Licenses and Permits $	Software Licenses $	Intellectual Property $	Total $
Cost						
December 31, 2024	761,327	968,932	44,917	108,486	172,192	2,055,854
Additions	-	-	-	-	-	-
Foreign exchange translation	-	-	2,841	6,925	5,798	15,564
March 31, 2025	**761,327**	**968,932**	**47,758**	**115,411**	**177,990**	**2,071,418**
Accumulated Amortization						
December 31, 2024	316,994	599,940	44,917	113,943	116,596	1,186,933
Amortization	31,000	25,647	-	-	-	60,622
Foreign exchange translation	-	-	2,841	6,925	5,799	15,565
March 31, 2025	**347,994**	**625,587**	**47,758**	**115,411**	**126,370**	**1,263,120**
Net Book Value						
December 31, 2024	444,333	368,992	-	-	55,596	868,921
March 31, 2025	**413,333**	**343,345**	**-**	**-**	**51,620**	**808,298**

During the three months ended March 31, 2025, the Company recognized amortization on its intangible assets of $60,622 (March 31, 2024 - $83,422).

(Expressed in Canadian dollars, unless otherwise noted)

9. RIGHT OF USE ASSETS

As of March 31, 2025, and December 31, 2024, the Company's right of use assets consisted of the following:

		March 31, 2025		December 31, 2024
Cost				
Opening balance	$	392,297	$	392,297
Additions		-		-
Ending balance	$	392,297	$	392,297
Accumulated Amortization				
Opening balance	$	291,368	$	156,919
Depreciation		33,520		134,449
Ending balance	$	324,888	$	291,368
Net Book Value	**$**	**67,409**	**$**	**100,929**

10. DEFERRED REVENUE

		March 31, 2025		December 31, 2024
Opening balance	$	1,522,031	$	1,937,964
Revenue recognized		(103,983)		(415,933)
Ending Balance	**$**	**1,418,048**	**$**	**1,522,031**

[i] On November 26, 2019, the Company entered into a license agreement (the "License Agreement") with LC2019, Inc. ("LC2019") pursuant to which the Company has agreed to license certain proprietary formulations and brand elements to LC2019 for commercialization in the United States and the Company transfers brand/trademark as well as intellectual property related to product development. As ongoing activities are required to maintain the brand, the license to the brand/ trademark would be considered a right to access and therefore would be recognized over time. In addition, given the license is for cannabis related to product development, the Company meets the criteria for right of use of intellectual property and recognize at a point time. However, IFRS 15 states that revenue cannot be recognized for a license that provides a right to use intellectual property before the period during which the customer is able to use and benefit from the license. As cannabis remains federally illegal in the US, there exists restrictions in the benefits that the Company can derive from this license. Consequently, the revenue derived from the above license has been recorded as deferred revenue to be recognized into revenue evenly over a period of ten years. In relation to this contract, the Company recognized $94,500 as license revenue for the three months ended March 31, 2025 (March 31, 2024 - $94,500).

[ii] On April 10, 2022, the Company entered into an exclusive license and supply agreement with a South American pharmaceutical company (the "Licensee"). The agreement provides the Licensee with the right to use the Company's intellectual property ("IP") to promote, market and sell the Company's products within Licensee's designated territory for an initial period of five years, commencing on the date of execution. As consideration for the licensing agreement, the Company is to receive a fee of USD$1,000,000 ($1,291,255), paid in five tranches; a USD$100,000 ($125,955) fee paid on signing of the agreement and the remainder paid in four tranches as the Company meets specific milestones in the transfer of IP. The Company determined that the fee paid upon signing contains a performance obligation which occurs over a period of time and therefore, revenue is to be recognized straight-line over a five-year period based on the term of the contract. In relation to this contract, the Company recognized $6,298 into License Revenue for the three months ended March 31, 2025 (March 31, 2024 - $6,298). Subsequent payments are to be recognized into revenue as each milestone has been met.

(Expressed in Canadian dollars, unless otherwise noted)

10. DEFERRED REVENUE (CONTINUED)

[iii] On April 22, 2022, the Company entered into an exclusive license and supply agreement with a Brazilian pharmaceutical company (the "Licensee"). The agreement provides the Licensee with the right to use the Company's IP to promote, market and sell the Company's products within the Licensee's designated territory for an initial period of 5 years, commencing on the date of execution. As consideration for the licensing agreement, the Company is to receive a fee of USD$250,000 ($322,814), paid in three tranches; a USD$50,000 ($63,713) fee paid on signing of the agreement and two USD$100,000 ($129,125) as the Licensee meets specific milestones. The Company determined that the fee paid upon signing contains a performance obligation which occurs over a period of time and therefore, revenue is to be recognized straight-line over a five-year period based on the term of the contract. In relation to this contract, the Company recognized $3,186 into License Revenue for the three months ended March 31, 2025 (March 31, 2024 - $3,186). Subsequent fees are to be recognized into revenue as each milestone is met.

Future recognition of deferred revenue will be as follows:

Recognized in less than 1 year	$	415,935
Recognized between 1 and 3 years		806,578
Recognized between 3 and 5 years		299,518
	$	**1,522,031**

11. LEASE LIABILITY

As of March 31, 2025, and December 31, 2024, the lease liability consisted of the following:

		March 31, 2025		December 31, 2024
Opening balance	$	109,227	$	245,610
Interest incurred on lease liability		1,835		13,865
Lease payments		(37,562)		(150,248)
Ending balance	$	**73,500**	$	**109,227**
Lease liability – current portion		73,500		109,227
Lease liability – non-current portion		-		-

The Company has lease liabilities related to the lease of its corporate offices which began on November 1, 2022. The weighted average discount rate for the three months ended March 31, 2025, was 8% percent (March 31, 2024 – 8%).

The total future minimum rent payable under the Company's lease on March 31, 2025, was as follows:

Due in less than 1 year	$	75,124
Due between 1 and 2 years		-
Total lease payments		75,124
Amounts representing interest over the term of the lease		(1,624)
Present value of minimum lease payments	**$**	**73,500**

(Expressed in Canadian dollars, unless otherwise noted)

12. LOANS PAYABLE

		March 31, 2025		December 31, 2024
Opening balance	$	-	$	1,557,787
Additions:		-		-
Repayments		-		(1,683,290)
Accretion		-		124,229
Foreign exchange translation		-		1,274
Ending Balance	**$**	**-**	**$**	**-**
Current	$	-	**$**	-
Non-current	$	-	**$**	-

Bank loan

On October 28, 2021, the Company's majority owned subsidiary, SMGH, received a bank loan from a financial institution in Colombia. SMGH borrowed principal of $659,086 (COL$2,000,000,000), incurring interest at 8.3% over a term of 3 years. The loan is to be repaid in 12 quarterly payments over the life of the loan.

On November 13, 2024, the balance of the bank loan was repaid in full.

During the three months ended March 31, 2025, the Company incurred interest expense of $nil (March 31, 2024 - $3,812) in relation to this loan.

Non-Convertible Debentures

On August 2, 2023, the Company issued non-convertible debentures for principal of $1,455,000, incurring 18% interest for a term of 12 months, with the principal and interest due at the maturity date. The balance was recognized net of the following issuance costs:

Principal	$	1,455,000
Issuance Costs		(24,000)
Warrants (note 15)		(173,036)
	$	**1,257,964**

As part of the term loan agreement, the Company issued 1,455,000 common share purchase warrants to the lender, exercisable into common shares of the Company for 3 years from the date of issuance at a price of $0.35 per common share. The fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions: risk-free rate of 4.06%, volatility of 86%, expected life of 1.5 years, dividend yield 0% and share price of $0.31.

On April 17, 2024, the Company partially repaid principal of $155,000. On September 2, 2024, the remaining principal of $1,300,000, and accrued interest of $24,750, was paid in full.

During the three months ended March 31, 2025, the Company incurred accretion expense of $nil (March 31, 2024 - $49,388) and interest expense of $nil (March 31, 2024 - $69,287) in relation to this loan.

(Expressed in Canadian dollars, unless otherwise noted)

13. ROYALTY LIABILITY

		March 31, 2025		December 31, 2024
Opening balance	$	300,132	$	1,070,000
Change in fair value		-		(769,868)
Ending Balance	**$**	**300,132**	**$**	**300,132**

On July 31, 2023, the Company closed the acquisition of Medical Cannabis by Shoppers Drug Mart. As partial consideration for the acquisition, the Company entered into a Royalty Agreement whereby, Shoppers Drug Mart Inc. (the "Vendor") receives an earn-out payment of 15% of net revenue from the acquired customers, for a period of one year following the closing date and 10% of net revenue for a period of one year following the first anniversary of the closing date. Net revenue is defined in the acquisition agreement as revenue less discounts, cost of goods sold, shipping and clinic education fees. Royalty payments are to be paid quarterly beginning on August 1, 2023.

The obligation has been accounted for as a financial liability recorded at fair value through profit and loss. The fair value of this obligation was determined by using valuation models that require estimation of future earnings, future net cash flows, and discount rates. This was calculated using a discounted cash flow model which estimates approximately 2% to 3% annual sales growth, a customer attrition rate of approximately 30% annually and a discount rate of 20%. The discount rate was determined based on the Company's capital structure and by assessing comparable peers within the Company's industry.

During the year ended December 31, 2024, a gain on the fair value of $769,868 was recorded. The change in the fair value of the liability was based on actual results and customer attrition. As of March 31, 2025, no further fair value changes were recorded.

14. RELATED PARTY TRANSACTIONS

The Company defines key management personnel as the Chief Executive Officer, Chief Legal Officer and Chief Financial Officer. The following outlines salaries and shared based compensation paid to key management personnel:

		For the Three Months Ended March 31, 2025		2024
Salaries	$	162,535	$	132,826
Stock-based compensation		39,150		78,050
	$	**201,685**	**$**	**210,876**

Non-controlling interest contribution liability

The Company recognizes accumulated contributions from certain related parties who represent the minority shareholders of SMGH in the amount of $782,679 (December 31, 2024 - $672,305). The advances relate to minority partners contributions towards the expansion and operation of the cultivation facilities. The balance owed to this related party is interest free. As these amounts become due, the outstanding balances are converted into common shares of SMGH.

Changes in the balances are disclosed in the following table:

		March 31, 2025		December 31, 2024
Opening Balance	$	672,305	$	672,305
Additions		68,194		312,469
Foreign exchange		42,180		42,349
Ending Balance	**$**	**782,679**	**$**	**672,305**

(Expressed in Canadian dollars, unless otherwise noted)

15. SHARE CAPITAL

Authorized and outstanding share capital:
The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares with no par value. As of March 31, 2025, the Company had 111,860,724 common shares issued and outstanding (December 31, 2024 – 110,215,490).

[i] During the period ended March 31, 2024, the Company issued 312,000 common shares on the exercise of 312,000 common share purchase warrants with an exercise price of $0.40 per share for gross proceeds of $124,800. The fair value of the warrants exercise of $48,897 was moved to share capital.

[ii] On April 18, 2024, the Company issued an aggregate of 5,313,959 Units (the "Units") at a price of $0.40 per Unit for net cash proceeds of $2,098,584, comprised of gross proceeds of $2,125,584 less issuance costs of $27,000. Each Unit was comprised of one (1) common share in the capital of the Company and one-half common share purchase warrant. Each whole Warrant is exercisable into one common share in the capital of the Company at a price of $0.55 until April 18, 2027.

The net proceeds were allocated between the common shares and the warrants by determining the fair value of the warrants, and allocating the residual to the common shares as follows:

Common shares	$	2,051,722
Warrants		45,513
Broker warrants		1,349
	$	**2,098,584**

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $0.30, a risk-free interest rate of 4.38%, an expected annualized volatility of 43.81% and expected dividend yield of 0%.

[iii] August 28, 2024, the Company issued an aggregate of 6,620,692 Units (the "Units") at a price of $0.30 per Unit for net cash proceeds of $1,927,605, comprised of gross proceeds of $1,986,208 less issuance costs of $58,603. Each Unit was comprised of one (1) common share in the capital of the Company and one-half common share purchase warrant. Each whole Warrant is exercisable into one common share in the capital of the Company at a price of $0.40 until August 28, 2027.

The net proceeds were allocated between the common shares and the warrants by determining the fair value of the warrants, and allocating the residual to the common shares as follows:

Common shares	$	1,601,615
Warrants		307,855
Broker warrants		18,135
	$	**1,927,605**

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $0.39, a risk-free interest rate of 2.96%, an expected annualized volatility of 48% and expected dividend yield of 0%.

[iv] On August 28, 2024, the Company issued an aggregate of 6,620,692 Units (the "Units") at a price of $0.30 per Unit for net cash proceeds of $1,927,605, comprised of gross proceeds of $1,986,208 less issuance costs of $58,603. Each Unit was comprised of one (1) common share in the capital of the Company and one-half common share purchase warrant. Each whole Warrant is exercisable into one common share in the capital of the Company at a price of $0.40 until August 28, 2027.

(Expressed in Canadian dollars, unless otherwise noted)

15 . SHARE CAPITAL (CONTINUED)

The net proceeds were allocated between the common shares and the warrants by determining the fair value of the warrants, and allocating the residual to the common shares as follows:

Common shares	$	1,601,615
Warrants		307,855
Broker warrants		18,135
	$	**1,927,605**

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $0.39, a risk-free interest rate of 2.96%, an expected annualized volatility of 48% and expected dividend yield of 0%.

[v] On November 4, 2024, the Company issued an aggregate of 2,666,701 Units (the “Units”) at a price of $0.30 per Unit for net cash proceeds of $777,510, comprised of gross proceeds of $800,010 less issuance costs of $22,500. Each Unit was comprised of one (1) common share in the capital of the Company and one-half common share purchase warrant. Each whole Warrant is exercisable into one common share in the capital of the Company at a price of $0.40 until November 4, 2027.

The net proceeds were allocated between the common shares and the warrants by determining the fair value of the warrants, and allocating the residual to the common shares as follows:

Common shares	$	725,537
Warrants		49,205
Broker warrants		2,768
	$	**777,510**

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $0.28, a risk-free interest rate of 3.01%, an expected annualized volatility of 49% and expected dividend yield of 0%.

Warrant Reserve

As of March 31, 2025, the following warrants were outstanding and exercisable:

	Warrants \#	**Weighted average exercise price** $
Outstanding as of December 31, 2023	**25,388,438**	**0.90**
Warrants issued	7,649,435	0.10
Warrants exercised	(312,000)	0.05
Warrants expired	(8,409,875)	0.21
Outstanding as of December 31, 2024	**24,316,498**	**0.73**
Warrants expired	(3,730,423)	0.46
Outstanding as of March 31, 2025	**20,586,075**	**0.43**

(Expressed in Canadian dollars, unless otherwise noted)

15 . SHARE CAPITAL (CONTINUED)

The following table is a summary of the Company's warrants outstanding as of March 31, 2025:

	Warrants Outstanding		Warrants Exercisable	
Exercise price range	**Number outstanding**	**Weighted average remaining life**	**Weighted average exercise price**	**Number exercisable**
$	#	(years)	$	#
0.55	2,735,729	0.57	0.07	2,735,729
0.50	2,988.055	0.48	0.07	2,988,055
0.41	1,371,033	0.26	0.03	1,371,033
0.40	12,036,258	2.04	0.23	12,036,258
0.35	1,455,000	0.25	0.02	1,455,000
	20,586,075	**3.61**	**0.43**	**20,586,075**

16. SHARE BASED PAYMENT RESERVE AND COMPENSATION

	For the Three Months Ended March 31, 2025	2024
Stock options	$ 2,037	$ 7,828
Restricted Stock Units	205,271	328,472
	$ 207,308	**$ 336,300**

The Company has established a Long-Term Omnibus Compensation Plan (the "Omnibus Plan") for directors, officers, employees, and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options and share units granted to individuals under the Omnibus Plan.

Each option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither the right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Each share unit converts into a single common share of the Company on the vesting date. No amounts are payable on receipt of the share unit or at vesting.

The Company's Omnibus Plan provides that the number of common shares reserved for issuances of options may not exceed 10%, and the number of common shares reserved for the issuance of share units must not exceed 4%, of the number of common shares outstanding. If any options or share units terminate, expire, or are cancelled, as contemplated by the Omnibus Plan, the number of options or share units so terminated, expired, or cancelled shall again be available under the Omnibus Plan.

Employee and non-employee options

[i] Measurement of fair values

The fair value of share options granted during the period ended March 31, 2025 and the year ended December 31, 2024, was estimated at the date of grant using the Black Scholes option pricing model using the following range of inputs:

	2025	**2024**
Grant date share price	$0.26	$0.26 - $0.30
Exercise price	$0.33	$0.33 - $0.39
Expected dividend yield	0%	0%
Risk-free interest rate	2.70%	3.37% - 3.43%
Expected option life	5 years	5 years
Expected volatility	20.67%	20.04% - 20.06%

(Expressed in Canadian dollars, unless otherwise noted)

16. SHARE BASED PAYMENT RESERVE AND COMPENSATION (CONTINUED)

Expected volatility was estimated by using the historical volatility of the Company's publicly traded common shares. The expected option life represents the period that options granted are expected to be outstanding. The risk-free interest rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

[ii] Options Issued and Outstanding

	Options	Weighted average exercise price
	#	$
Outstanding on December 31, 2023	**3,100,358**	**1.76**
Options issued	4,887,500	0.36
Options expired	(37,500)	0.40
Options cancelled and forfeited	(60,000)	0.90
Outstanding on December 31, 2024	**7,890,358**	**0.59**
Options issued	560,000	0.33
Options expired	(120,000)	2.00
Options cancelled and forfeited	(14,700)	0.75
Outstanding on March 31, 2025	**8,315,658**	**0.55**

The following table is a summary of the Company's share options outstanding as of March 31, 2025:

	Options Outstanding			Options Exercisable
Exercise price range	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable
$	#	(years)	$	#
0.30	300,000	0.17	0.01	125,000
0.33	2,697,500	1.42	0.11	2,133,750
0.35	350,000	0.18	0.01	350,000
0.37	40,000	0.01	0.00	40,000
0.38	500,000	0.19	0.02	25,000
0.39	2,000,000	0.94	0.09	-
0.40	325,000	0.07	0.02	300,000
0.45	400,000	0.18	0.02	400,000
0.47	410,000	0.17	0.02	410,000
0.60	475,000	0.16	0.03	237,500
1.00	415,000	0.10	0.05	415,000
1.24	2,500	0.00	0.00	2,500
1.39	8,000	0.00	0.00	8,000
2.00	110,000	0.00	0.03	110,000
2.50	67,608	0.03	0.02	67,608
2.75	151,500	0.01	0.05	151,500
5.00	1,550	0.00	0.00	1,550
7.30	2,000	0.00	0.00	2,000
8.00	60,000	0.00	0.06	60,000
	8,315,658	**3.63**	**0.55**	**4,839,408**

During the three months ended March 31, 2025, the Company recognized a total share-based compensation expense relating to options of $2,037 (March 31, 2024 - $7,828).

(Expressed in Canadian dollars, unless otherwise noted)

16. SHARE BASED PAYMENT RESERVE AND COMPENSATION (CONTINUED)

Restricted Stock Units

The fair value of restricted stock units ("RSUs") granted is based on the market price of the Company's publicly traded common shares on the grant date.

	Restricted stock units #	Weighted average issue price $
Outstanding on December 31, 2023	**1,768,902**	**0.32**
RSUs issued	4,063,562	0.28
RSUs vested	(4,625,169)	0.31
RSUs forfeited and cancelled	(45,000)	0.31
Outstanding on December 31, 2024	**1,162,295**	**0.32**
RSUs issued [ii]	1,638,774	0.26
RSUs vested [i]	(1,645,234)	0.28
RSUs forfeited and cancelled	(58,333)	0.28
Outstanding on March 31, 2025	**1,097,502**	**0.27**

[i] During the three months ended March 31, 2025, 1,645,234 common shares were issued on the vesting of restricted stock units. The grant price of the exercised units ranged from $0.26 to $0.48.

[ii] During the three months ended March 31, 2025, 1,638,774 restricted stock units were issued with a fair value of $0.26 per unit. Of the units issued, 762,117 vested immediately and the remainder vest over two years.

During the three months ended March 31, 2025, the Company recognized a total share-based compensation expense relating to restricted stock units of $205,271 (March 31, 2024 - $328,472).

17. NON-CONTROLLING INTEREST

The net change in non-controlling interest is as follows:

		March 31, 2025		December 31, 2024
Opening Balance	$	7,428,755	$	8,084,615
Foreign translation		245,595		(413,582)
Net loss attributed to non-controlling interest		128,914		(242,278)
Ending Balance	**$**	**7,803,264**	**$**	**7,428,755**

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

As of March 31, 2025, $2,391,187 in trade and other receivables remained outstanding (December 31, 2024 – $2,951,968). The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. During the three months ended March 31, 2025, the Company has recognized an estimated credit losses of $nil (March 31, 2024, – $35,367).

(Expressed in Canadian dollars, unless otherwise noted)

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by managing working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3 +
Trade payables and accrued liabilities	$ 7,345,680	$ 7,345,680	$ 7,345,680	$ -	$ -
Lease liability	73,500	75,124	75,124	-	-
Royalty liability	300,132	300,132	300,132	-	-
	$ 7,719,312	**$ 7,720,936**	**$ 7,720,936**	**$ -**	**$ -**

The due to related party balance of $782,679 is not intended to be repaid. As these amounts become due, the outstanding balances can be converted into common shares of SMGH, consistent with current ownership splits.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations in foreign exchange rates. The Company is exposed to foreign currency exchange risk as it has substantial operations based out of Colombia and record keeping is denominated in a foreign currency. As such the company has foreign currency risk associated with Colombian Pesos.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as all borrowing have fixed rates of interest which are not affected by these fluctuations. Loan payable, convertible debentures and lease liability are recorded at amortized cost using fixed interest rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of the Company's cannabis products (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Fair values

The carrying values of cash, amounts receivable, amounts payable and royalty liability, approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to the short-term nature. It is not practicable to estimate the fair value of the non-controlling interest contribution liability, due to the nature of this liability. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the condensed consolidated interim statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 23 to the Consolidated Financial Statements for the year ended December 31, 2024.

(Expressed in Canadian dollars, unless otherwise noted)

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

The Company's finance team performs valuations of financial items for financial reporting purposes, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market – based information.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. Royalty liability is classified as a level 1 financial instrument. Warrant reserve and Share-based payment reserve are classified as level 2 financial instruments. As at March 31, 2025, and December 31, 2024, there were no level 3 financial instruments.

As at March 31, 2025 and December 31, 2024, there were no financial instruments recognized at fair value through profit and loss.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended March 31, 2025	For the Three Months Ended March 31, 2024
Office and general	$ 843,493	$ 729,284
Selling, marketing and promotion	787,888	720,824
Consulting fees	88,133	219,223
Professional fees	41,689	105,971
Salaries and wages	1,297,297	1,465,802
Research and development	51,072	48,720
	$ 3,109,572	**$ 3,289,824**

During the three months ended March 31, 2025, as part of its inventory costing process, the Company capitalized $83,338 of salaries to inventory and biological assets (March 31, 2024 – $55,575).

20. NON-CASH OPERATING ELEMENTS OF WORKING CAPITAL

	For the Three Months Ended March 31, 2025	For the Three Months Ended March 31, 2024
Amounts receivable	$ 374,009	$ 553,320
Biological assets	(237,084)	81,602
Inventory	(135,387)	322,296
Prepaid assets	33,846	(19,137)
Accounts payable	(425,943)	(343,761)
	$ (390,559)	**$ 594,320**

(Expressed in Canadian dollars, unless otherwise noted)

21. SEGMENT REPORTING

Operating segments are determined based on internal reporting that is regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and for assessing its performance. As of March 31, 2025, the Company determined that it has three operating segments, two organized by geographical area: Canada and International, and Corporate, comprised of costs which serve the Company's global administrative responsibilities.

Canada includes sales of the Company's pharmaceutical and health products as well as revenue generated from the licensing of intellectual property and research and development services, all developed in Canada and serving customers within Canada. International includes sales of the Company's pharmaceutical and health products, and sales of API to customers worldwide, all grown and developed in Colombia.

	Canada	International	Corporate	Total
As at, and for the three months ended, March 31, 2025				
Statement of Financial Position				
Current assets	$ 3,862,706	$ 3,751,813	$ -	$ 7,614,519
Non-current assets	1,283,005	11,847,768	-	13,130,773
Current liabilities	7,241,817	1,676,109	-	8,917,926
Non-current liabilities	1,002,113	-	-	1,002,113
Statement of Operations and Comprehensive Income (Loss)				
Revenue	$ 5,316,346	$ 1,007,855	$ -	$ 6,324,201
Gross margin	2,596,847	1,007,220	-	3,604,067
Operating expenses	(2,666,289)	(574,931)	(268,653)	(3,509,873)
Net income (loss) before tax	(16,862)	360,236	(268,653)	74,721