Avicanna Inc.
Consolidated Financial Statements
For the Years Ended December 31, 2024, and 2023
(Expressed in Canadian dollars, unless otherwise noted)

18012 Sky Park Circle, Suite 200
Irvine, California 92614
tel 949-852-1600
fax 949-852-1606
www.rjicpas.com

Independent Auditors' Report

To the Shareholders of Avicanna Inc.

Opinion

We have audited the consolidated financial statements of Avicanna Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position at December 31, 2024, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2024, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates the Company had an accumulated deficit of $102,090,161, cash of $448,028 and a working capital deficit of $1,628,050 at December 31, 2024. Additionally, the Company incurred a net loss after taxes of $3,617,681 and used $2,511,328 of cash for operating activities during the year ended December 31, 2024.

These events or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The consolidated financial statements of Avicanna Inc. and its subsidiaries for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion with a Material Uncertainty Related to Going Concern paragraph on those statements on April 1, 2024.

Key Audit Matters

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

In addition to the matter described in the Emphasis of Matter – Material Uncertainty Related to Going Concern section, we have determined that matters described below to be key audit matters to be communicated in our auditor's report.

Impairment of Inventory

Key Audit Matter Description

As discussed in Notes 3, 6, and 7 to the consolidated financial statements, during the year ending December 31, 2024, the Company analyzed the fair value of the inventory.

How the Key Audit Matter was Addressed in our Audit

We identified the impairment of inventory as a key audit matter as subjective auditor judgment was required to evaluate whether the inventory was property valued and whether an impairment charge was necessary.

The following are the primary procedures we performed to address this key audit matter:

- Evaluated and discussed with management, their analysis over the valuation and accounting treatment over inventory;
- Reviewed management's net realizable valuations of the inventory;
- Obtained an understanding of management's knowledge, skill and ability to assess the net realizable value of inventory;
- Challenged and assessed the reasonableness of assumptions used within the evaluation of such inventory;
- Analyzed management's 2025 sales forecast to determine if inventory is salable;
- Mathematically tested and reviewed the overall calculations;
- Tested the design and implementation of management's controls surrounding management's valuation over the inventory activity; and
- Reviewed and examined related disclosures of impairment.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditors' report thereon, which include Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors’ report is Jonathan Boey.

<u>/s/ Ramirez Jimenez International CPAs</u>

Ramirez Jiminez International CPAs
Certified Public Accountants
April 11, 2025

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

	Note		December 31, 2024		December 31, 2023
ASSETS					
Current assets					
Cash		$	448,028	$	477,198
Amounts receivable	5		2,748,234		2,968,241
Prepaid assets			470,339		470,679
Biological assets	6		41,128		83,179
Inventory	7		3,933,443		4,461,059
Total current assets			**7,641,172**		**8,460,356**
Right of use asset	10		100,929		235,378
Property and equipment	8		11,171,910		11,754,922
Intangible assets	4, 9		868,921		1,186,452
Goodwill	4		334,000		334,000
Total assets		**$**	**20,116,932**	**$**	**21,971,108**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade payables and accrued liabilities		$	7,771,623	$	8,870,149
Lease liability – current portion	12		109,227		150,248
Loan payable	14		-		1,557,787
Deferred revenue – current portion	11		415,935		415,933
Royalty Liability	16		300,132		1,070,000
Non-controlling interest contribution liability	17, 20		672,305		317,487
Total current liabilities			**9,269,222**		**12,381,604**
Lease liability	12		-		95,362
Deferred revenue	11		1,106,096		1,522,031
Total liabilities			**10,375,318**		**13,998,997**
Shareholders' Equity					
Share capital	18		87,000,350		81,025,495
Warrants	18		12,494,122		12,118,194
Share-based payment reserve	19		7,040,868		6,890,762
Accumulated other comprehensive loss			(2,132,320)		(1,432,197)
Deficit			(102,090,161)		(98,714,758)
Equity attributable to shareholders of the Company			2,312,859		(112,504)
Non-controlling interest	20		7,428,755		8,084,615
Total equity			**9,741,614**		**7,972,111**
Total liabilities and shareholders' equity		**$**	**20,116,932**	**$**	**21,971,108**

Nature of operations and going concern uncertainty – Note 1

Approved by the Board

/s/ Eileen McCormack, Director

/s/ John McVicar, Audit Committee Chair, Director

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

Avicanna Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2024, and 2023
(Expressed in Canadian Dollars, unless otherwise noted)

			For the Year Ended December 31,		
	Note		**2024**		**2023**
Revenue					
Service Revenue		$	1,284,407	$	121,227
License Revenue	11		1,160,222		415,933
Product Sales			23,014,586		16,254,323
Total Revenue			**25,459,215**		**16,791,483**
Cost of goods sold			(12,153,716)		(9,170,932)
Gross profit before the undernoted			**13,305,499**		**7,620,551**
Inventory recovery (impairment)	7		310,643		(260,258)
Fair value changes in biological assets included in inventory sold			(717,830)		(657,610)
Unrealized (loss) gain on changes in fair value of biological assets			-		(43,991)
Gross profit			**12,898,312**		**6,658,692**
Expenses					
General and administrative	22		14,670,448		11,888,666
Share-based compensation	19		1,572,390		1,942,819
Depreciation and amortization	8,9,10		853,737		777,288
Expected credit loss	5		481,879		429,554
Total Expenses			**(17,578,454)**		**(15,038,327)**
Other income (expenses)					
Foreign exchange gain (loss)			472,007		(28,351)
Gain (loss) on disposal of capital assets	8		(665)		2,812
Gain on fair value of derivative liability	15		-		56,785
Gain on fair value of royalty liability	16		769,868		-
Other income			154,898		215,642
Interest expense	14,16		(195,554)		(305,112)
Accretion of loans and convertible debentures	14,16		(138,093)		(305,144)
Net loss		**$**	**(3,617,681)**	**$**	**(8,743,003)**
Exchange differences on translation of foreign operations			(1,113,705)		2,113,142
Comprehensive loss		**$**	**(4,731,386)**	**$**	**(6,629.861)**
Comprehensive loss attributable to non – controlling interest	20		(655,860)		(283,007)
Comprehensive loss attributable to Shareholders of the Company	20		(4,075,526)		(6,346,854)
Total comprehensive loss		**$**	**(4,731,386)**	**$**	**(6,629,861)**
Weighted average number of common shares – basic and diluted	24		100,030,541		84,707,820
Comprehensive loss per share – basic and diluted	24	$	(0.04)	$	(0.08)

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

Avicanna Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2024, and 2023
(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, 2023		**90,676,969**	**81,025,495**	**12,118,194**	**6,890,762**	**(98,714,758)**	**(1,432,197)**	**8,084,615**	**7,972,111**
Share based compensation	19	-	-	-	1,572,390	,	,	,	1,572,390
Settlement of RSUs	19	4,625,169	1,422,284	-	(1,422,284)	-	-	-	-
Issuance of units (net of costs)	18	14,601,352	4,378,874	424,825	-	-	-	-	4,803,699
Exercise of warrants	18	312,000	173,697	(48,897)	-	-	-	-	124,800
Foreign exchange translation		-	-	-	-	-	(700,123)	(413,582)	(1,113,705)
Net loss		-	-	-	-	(3,375,403)	-	(242,278)	(3,617,681)
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**

Balance at December 31, 2022		**74,952,800**	**74,894,122**	**11,714,410**	**6,808,009**	**(90,829,237)**	**(2,970,864)**	**3,842,211**	**3,458,651**
Share based compensation	19	-	-	-	1,942,819	-	-	-	1,942,819
Settlement of RSUs	19	4,767,534	2,149,124	-	(1,860,066)	-	-	-	289,058
Issuance of units (net of costs)	18	5,633,738	1,574,741	509,077	-	-	-	-	2,083,818
Exercise of warrants	18	3,132,897	1,726,978	(473,799)	-	-	-	-	1,253,179
Incentive warrants issued	18	-	(195,470)	195,470	-	-	-	-	-
Warrants issued with loan payable	14,18	-	-	173,036	-	-	-	-	173,036
Capitalization of NCI contributions	17	-	-	-	-	-	-	4,525,411	4,525,411
Conversion of debentures	13	2,190,000	876,000	-	-	-	-	-	876,000
Foreign exchange translation		-	-	-	-	-	1,538,667	574,475	2,113,142
Net loss		-	-	-	-	(7,885,521)	-	(857,482)	(8,743,003)
Balance at December 31, 2023		**90,676,969**	**81,025,495**	**12,118,194**	**6,890,762**	**(98,714,758)**	**(1,432,197)**	**8,084,615**	**7,972,111**

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

Avicanna Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024, and 2023
(Expressed in Canadian Dollars, unless otherwise noted)

	Note	For the Year Ended December 31, 2024	2023
Cash flows from operating activities			
Net loss		$ (3,617,681)	$ (8,743,003)
Depreciation and amortization	8,9,10	853,737	777,288
Accretion of loans and convertible debentures	12,13,14	138,094	305,146
Share-based compensation	19	1,572,390	1,942,819
Gain on fair value of derivative liability	15	-	(56,785)
Deferred revenue incurred, net of recognized revenue	11	(415,933)	(415,933)
Expected credit losses	5	481,879	429,554
Gain on fair value of royalty liability	16	(769,868)	-
Loss on sale of capital assets	8	665	-
Changes in non-cash operating elements of working capital	25	(790,391)	4,356,696
Cash used in operating activities		**(2,547,108)**	**(1,404,218)**
Cash flows from investing activities			
Purchase of capital assets	8	(402,574)	(44,622)
Proceeds from disposal of capital assets	8	-	17,963
Purchase of intangible assets	9	-	(512,938)
Acquisition of Medical Cannabis by Shoppers Drug Mart	4	-	(2,507,619)
Cash used in investing activities		**(402,574)**	**(3,047,216)**
Cash flows from financing activities			
Payment of lease liability	12	(150,248)	(150,249)
Issuance of loans payable, net of costs	14	-	1,431,000
Proceeds from issuance of common shares, net of costs	18	4,803,699	2,083,818
Increase in non-controlling interest contributions	17	312,469	770,395
Repayment of debentures	13	-	(1,062,000)
Repayment of loan payable	14	(1,683,290)	(771,671)
Proceeds from exercise of warrants	18	124,800	1,253,179
Cash provided by financing activities		**3,407,430**	**3,554,472**
Net increase (decrease) in cash		**457,748**	**(896,962)**
Effect of foreign exchange differences		(486,918)	180,120
Cash, beginning of period		477,198	1,194,040
Cash, end of period		**$ 448,028**	**$ 477,198**

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

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 consolidated 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 consolidated 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 December 31, 2024, the Company has an accumulated deficit of $102,090,161 (December 31, 2023 - $98,714,758), cash of $448,028 (December 31, 2023 – $477,198), and a working capital deficit of $1,628,050 (December 31, 2023 – deficit of $3,921,248). Additionally, the Company incurred a net loss after taxes of $3,617,681 and used $2,547,108 of cash from operating activities during the year ended on December 31, 2024. In the prior year, the Company incurred a net loss of $8,743,003 and used $1,404,218 of cash from operating activities. The Company will need to raise additional financing to continue operations, product development and clinical research. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, 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 consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on April 11, 2025.

Basis of presentation

These consolidated 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 four business segments: three based on geographic region; North America, South America and Rest of World, and Corporate, which is comprised of costs which serve the Company's global administrative responsibilities.

Functional and presentation currency

These consolidated 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.

(Expressed in Canadian dollars, unless otherwise noted)

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 consolidated 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

*On December 20, 2023, the Company's ownership in SMGH decreased to 51% from 60% (note 17)

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 consolidated 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 Consolidated 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 has been incurred at the date of the consolidated 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

Leases
At the inception of a contract, the Company assesses if the agreement is or contains a lease arrangement. A lease arrangement exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease obligation with respect to all lease arrangements with a lease term greater than twelve months. Leases with a term of twelve months or less, variable rent expenses, or leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of net earnings when performance relating to those expenses has occurred. Low-value assets comprise primarily small equipment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Right-of-use Asset
A right-of-use asset is measured at the amount of the initial lease obligation and adjusted for any lease payments made at or before the commencement date of the lease less any incentives, initial direct costs, or the estimate of costs to restore the right-of-use asset at the conclusion of the lease term. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the right-of-use asset is depreciated over the useful life of the underlying asset.

Lease liability
The Company measures its lease obligation as the present value of the outstanding lease payments, discounted using the interest rate implicit in the lease and the term of the contract adjusted for reasonably certain renewal or termination options. If the interest rate implicit in the lease is not readily available, the payments are discounted using the Company's incremental borrowing rate. The lease obligation is subsequently measured by increasing the carrying amount for interest using the effective interest method. Lease payments are recognized as reductions to the carrying amount of the lease obligation.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The Company remeasures the lease obligation and right-of-use asset as a result of material modifications to a lease arrangement.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of operations and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise primarily small equipment.

Revenue recognition
The Company recognizes revenue in accordance with IFRS 15. IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of the Company's cannabis-based products is recognized when the Company transfers control of the goods to the customers. Control of the product transfers at a point in time either upon shipment to, or receipt by, the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive considering any variation that may result from rights of return.

The Company currently generates revenue from license, development, and royalties from its intellectual property. Revenue from license and royalties is recognized when the Company has fulfilled its duties under the terms of the specific license and royalty contracts, or when a related sale is completed by the licensees to their end customers.

Revenue from development projects is recognized when the Company has fulfilled its obligations under the specific agreements with customers. Consideration for development projects is collected at the commencement of the project and recorded into deferred revenue. Revenue is transferred to the consolidated statement of operations and comprehensive loss on a reasonable basis based on the terms of the agreement with the customer.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognized in the consolidated statements of operations and comprehensive loss.

The initial cost of property and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property and equipment.

Construction-in-progress includes property and equipment not ready for use and is carried at cost less any recognized impairment charge. These assets are reclassified to the appropriate category of property and equipment and depreciation of these assets commences when they are completed and ready for their intended use.

For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is calculated starting on the date that property and equipment is available for its intended use. For all other property and equipment, depreciation is calculated using a straight-line method based on the asset's useful life as presented below:

	Estimated useful life (years)
Equipment	
Computer	2-5
Machinery and Equipment	5-35
Vehicles	5-15
Infrastructure and Buildings	20-25

Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations or asset acquisitions are initially recognized at fair value as at the date of acquisition. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment charges.

All intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Estimated useful life (years)
Licenses and permits	20-25
E-commerce platform	5
Software licenses	2
Intellectual property	5
Customer relationships	5

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the consolidated statements of operations and comprehensive loss in the expense category consistent with the function of the intangible asset.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment of long-lived assets

Property and equipment are tested for impairment when events or changes in circumstances arise that indicate the carrying value may not be recoverable. Definite-lived intangible assets are assessed annually for indicators of impairment. If indicators exist, the asset will be tested for impairment by comparing the recoverable amount to the carrying value. Goodwill and indefinite-lived intangible assets are tested for impairment annually.

For the purposes of measuring recoverable amounts, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of cash inflows of other assets or groups of assets, referred to as a cash generating unit ("CGU"). The recoverable value of a CGU is the greater of its fair value less costs of disposal or value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the CGU. An impairment loss is recognized if the carrying amount of the CGU exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset's individual recoverable amount.

Business Combinations

The Company identified a business combination by determining whether the acquiree meets the definition of a business, consistent with guidance provided in IFRS 3 Business Combinations. Acquisitions of businesses are accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards which are accounted for in accordance with IAS 12 and IFRS 2, respectively. Acquisition costs are recognized in the consolidated statement of operations and comprehensive loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

If the acquiree does not meet the definition of a business, the acquisition is accounted for as an asset acquisition. The consideration transferred for the group of assets acquired is allocated to the individual asset acquired and liabilities assumed on a basis of their relative fair value at the acquisition date.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in profit or loss. Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Cost to sell includes post-harvest production, which include Active Pharmaceutical Ingredient ("API") extraction, shipping, and fulfillment costs. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the consolidated statements of operations of the related reporting year.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Inventories

Inventories consisting of work-in-process and finished goods are valued at the lower of cost or net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell up to the point of harvest, which becomes the initial deemed cost of inventories. All subsequent direct and indirect postharvest costs are capitalized to inventory as incurred, including labour related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality costs and testing costs. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories for resale, raw materials and supplies and consumables are valued at the lower of costs and net realizable value, with cost determined using the weighted average cost basis.

The line item "Inventory production costs expensed to cost of sales" in the consolidated statements of operations and comprehensive loss is comprised of the cost of inventories expensed in the year and the direct and indirect costs of shipping and fulfillment including labour related costs, materials, shipping costs and facilities costs.

Realized fair value amounts from biological assets included in the cost of inventory sold are separately presented for cost of sales as fair value changes in biological assets included in inventory sold.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the assets to be recovered.

Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on earnings per share is calculated presuming exercise of outstanding options, warrants, convertible debentures and similar instruments.

Share-based compensation

The Company has an omnibus long-term incentive plan which includes issuances of stock options and restricted share units in place. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Fair value is measured using the Black-Scholes option pricing model. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. Any revisions are recognized in the consolidated statements of loss and comprehensive loss such that the cumulative reflects the revised estimate.

Financial Instruments

The Company classifies its financial assets and financial liabilities into the following measurement categories;

(i) measured at amortized cost.
(ii) subsequently measured at fair value through other comprehensive income ("FVOCI")
(iii) subsequently measured at fair value through profit or loss ("FVPTL").

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

The classifications for each class of the Company's financial assets and financial liabilities are summarized in the following table:

Financial Assets	**Classification**
Cash	Amortized cost
Amounts receivable	Amortized cost
Financial Liabilities	**Classification**
Trade payables and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Non-controlling interest contribution liability	Amortized cost
Loan payable	Amortized cost
Royalty liability	FVTPL
Derivative liability	FVTPL

(i) Financial assets

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, FVOCI or FVTPL, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading, or it is designed as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statements of operations and comprehensive loss. Transaction costs are expensed as incurred.

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to this model are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values.

(iii) Impairment of financial assets

For amounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all amounts receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(iv) Financial liabilities
Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include amounts payable and debt which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by considering any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive loss.

Convertible debentures
Convertible debentures are recorded on the consolidated statement of financial position at amortized cost. The convertible debentures are separated out into their liability and derivative liability components. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature-less the value associated to derivative liability as mentioned below. The fair value of the derivative liability was determined as the difference between the total proceeds on issuance of the convertible note less the value of the convertible debenture. Subsequent to initial recognition, the company will accrete the debenture over its contractual term using the effective interest rate method.

Derivative liability
The Derivative liability is recorded on the consolidated statement of financial position at fair value. The conversion features of the convertible debentures, whereby the holder of the notes can convert into a variable number of common shares, rather than a fixed number of common shares, is determined to be an embedded derivative liability and is separately valued and accounted for on the consolidated statement of financial position with changes in fair value recognized through profit and loss. The pricing model the Company uses for determining the fair value of the derivative liability is the Black Scholes Model. The model uses market sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income.

Share capital
Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction in equity. Proceeds received on the issuance of Equity Units, comprised of common shares and warrants, are allocated to common shares and warrants based on the residual method.

Non-controlling interests
Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Corporation's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value of the consideration received or receivable, or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the acquisition.

Comprehensive income
Comprehensive income is the change in the equity of the Company during a reporting period from transactions and other events and circumstances from non-shareholder sources. It includes all changes to equity during a period except those resulting from investments and distributions to shareholders. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net income to be presented in "other comprehensive income" until it is considered appropriate to recognize in net income.

The Company's comprehensive income transactions include foreign currency translations recognized due to the consolidation of subsidiaries with a functional currency that differs from the presentation currency. This foreign exchange difference is recognized on the consolidated statements of operations and comprehensive loss, and the balance recorded in prior periods is accumulated on the consolidated statements of financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Royalty liability
Royalty liability from the acquisition of Medical Cannabis by Shoppers Drug Mart was initial recognized at fair value and is carried on the consolidated statement of financial position at amortized cost.

New Accounting Policies

New accounting standards adopted in the current year

Amendments to IAS 1 – classification of liabilities as current or non-current
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. No significant impact to the Company's financial statements is expected.

Future accounting pronouncements

IFRS sustainability disclosure standards
The International Sustainability Standards Board (ISSB) of the IFRS Foundation has published IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures.' The objective of IFRS S1 and S2 is to require an entity to disclose information about its sustainability and climate related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Both Standards are effective for fiscal years beginning January 1, 2024, but certain transitional reliefs are available. The ISSB has confirmed that industry-specific disclosures are required and, in the absence of specific IFRS Sustainability Disclosure Standards, companies must consider the Sustainability Accounting Standards Board ('SASB') Standards to identify sustainability-related risks, opportunities and appropriate metrics. The Company is currently evaluating the impact of these reporting requirements.

In March of 2024, the Canadian Sustainability Standards Board ("CSSB") proposed two exposure drafts on Canadian Sustainability Disclose Standard ("CSDS") 1, General Requirements for Disclosure of Sustainability related Financial Information and CSDS 2, Climate-related Disclosures. These exposure drafts align with IFRS S1 and S2 global baselines, with modifications to align with Canadian-specific needs which include:

- extending the earliest voluntary adoptions dates for CSDS 1 and CSDS 2 from January 1, 2024, to January 1, 2025;
- extending the proposed transition relief for disclosures beyond climate-related risks and opportunities from one year granted by the ISSB to two years. This means entities that voluntarily adopt the CSSB standards on January 1, 2025, will be required to disclose information on all sustainability-related risks and opportunities from the reporting period beginning on or after January 1, 2027; and
- extending the proposed transition relief for disclosure of Scope 3 Grenn house gas ("GHG") emissions from one year granted by the ISSB to two years. This means entities that voluntarily adopt the CSSB on January 1, 2025, will be required to disclose Scope 3 GHG emissions from the reporting period beginning on or after January 1, 2027.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures
In May 2024, amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures, were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or a financial liability, including clarifying that a financial liability is derecognized on the settlement date. Additional disclosures are required for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to only early adopt the amendments to the classification of financial assets. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18") to replace International Accounting Standards 1, Presentation of Financial Statements ("IAS 1"). IFRS 18 impacts the presentation of the financial statements and notes, primarily the statements of income/loss and comprehensive income/(loss) where companies will be required to present separate categories of income and expenses for operating, investing and financing activities with subtotals for each new category. IFRS 18 will require management-defined performance measures to be defined and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and require retrospective application. The Company is currently assessing the impact of the new standard on its financial statements.

IAS 21 The Effects of Changes in Foreign Exchange Rates
In August 2023, the IASB issued amendments to IAS 21 –The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The Company is assessing the potential impact of these amendments.

4. ACQUISITION OF MEDICAL CANNABIS BY SHOPPERS DRUG MART INC.

On May 25, 2023 (the "Inventory Purchase Closing Date"), the Company entered into an Asset Purchase Agreement ("Agreement") to acquire the assets of Medical Cannabis by Shoppers Drug Mart Inc. (the "Vendor").

On the Inventory Purchase Closing Date, the Company acquired all of the Vendor's inventory for cash consideration of $2,507,619, $2,230,983 to be paid in five equal monthly payments beginning one month after the Final Closing Date and $276,636 representing the value of open inventory purchase orders, payable 55 days after the inventory was received. As of December 31, 2023, $794,191 of this balance was unpaid. The rights to all inventory, and as such all sales revenue, were therefore granted to the Company as of the Inventory Purchase Closing Date. Under the Agreement, the Vendor was obligated to complete the sale of the of the remaining purchased assets on the Final Closing Date once the Company satisfied defined conditions set out in the Agreement. The remaining purchased assets included, but were not limited to, the patient list and capital assets related to the business. The Final Closing Date was July 31, 2023, and could be extended to a maximum of two additional months if conditions had not been met. Prior to the Final Closing Date, the Company satisfied all conditions required and successfully closed the transaction on July 31, 2023. On August 2, 2023, the Company relaunched this online e-commerce platform, rebranded as MyMedi.ca.

The purchase price of the assets was (i) cash consideration of $2,507,619, as disclosed above and (ii) 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. The transaction constitutes a business acquisition in accordance with the definition under IFRS 3 and has accounted for it in accordance with this standard. During the year ended December 31, 2024, the Company earned revenue of $21,023,956 (December 31, 2023 - $9,373,084, since the acquisition date) and income of $654,441 (December 31, 2023 – loss of $199,097, since the acquisition date).

(Expressed in Canadian dollars, unless otherwise noted)

4. ACQUISITION OF MEDICAL CANNABIS BY SHOPPERS DRUG MART (CONTINUED)

The following table sets forth the preliminary allocation of the purchase price to the net identifiable assets acquired, based on estimates of fair value:

Consideration		
Cash	$	2,507,619
Contingent consideration – Royalty liability (Note 16)		1,070,000
	$	3,577,619
Net Assets Acquired		
Inventory		2,507,619
Property and equipment		36,490
Intangible assets – Tradenames		79,510
Intangible assets – Customer list		620,000
Goodwill		334,000
	$	3,577,619

The fair value of the intangible assets acquired was determined using valuation models that require estimation of future earnings, future net cash flows, and discount rates. These were calculated using a discounted cash flow model which estimates approximately 2% to 3% annual sales growth, a customer attrition rate of 30% annually and a discount rate of 30%. The discount rate was determined based on the Company's capital structure and by assessing comparable peers within the Company's industry.

Changes in estimates and assumptions used could have a material impact on the value of this asset and the amount of amortization expense recognized in future periods.

5. AMOUNTS RECEIVABLE

		December 31, 2024		December 31, 2023
Trade and other receivables	$	2,951,968	$	2,936,925
Sales tax receivable		357,857		690,777
Expected credit loss provision		(561,591)		(659,461)
Total amounts receivable	**$**	**2,748,234**	**$**	**2,968,241**

6. BIOLOGICAL ASSETS

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

		December 31, 2024		December 31, 2023
Opening balance	$	83,179	$	129,824
Production costs capitalized		231,549		560,369
Transferred to inventory upon harvest		(269,651)		(635,040)
Foreign exchange translation		(3,949)		28,026
Ending balance	**$**	**41,128**	**$**	**83,179**

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.

(Expressed in Canadian dollars, unless otherwise noted)

6. BIOLOGICAL ASSETS (CONTINUED)

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 December 31, 2024 Input	As of December 31, 2024 Effect on Fair Value	As of December 31, 2023 Input	As of December 31, 2023 Effect on Fair Value
CBD Isolate Yield	4.6%	($4,215)	4.5%	($18,970)
CBD Isolate Price (USD/KG)	1,852	($4,241)	$1,200	($19,064)
Weighted average of expected loss of plants until harvest [i]	0.0%	-	7.0%	$204
Expected yields for cannabis plants (average grams per plant)	187	$920	178	$2,633
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	12%	$920	90%	$2,634
Estimated fair value less costs to complete and sell (per gram) [ii]	($0.10)	$550	($0.10)	$2,363
After harvest cost to complete and sell (per gram)	$0.06	$370	$0.01	$271

Assumptions: THC Resin	As of December 31, 2024 Input	As of December 31, 2024 Effect on Fair Value	As of December 31, 2023 Input	As of December 31, 2023 Effect on Fair Value
THC Resin Yield	7.5%	$30,331	12.8%	$29,584
THC Resin Price (USD/KG)	1,759	$30,331	$4,000	$29,453
Weighted average of expected loss of plants until harvest [i]	4.1%	$4	1.0%	$67
Expected yields for cannabis plants (average grams per plant)	81	$101	$178	$4,722
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	14%	$101	87%	$4,722
Estimated fair value less costs to complete and sell (per gram) [ii]	$0.05	$349	$0.44	$4,847
After harvest cost to complete and sell (per gram)	$0.06	$450	$0.01	$125

[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 December 31, 2024, it is expected that the Company's cannabis plants biological assets will yield approximately 614,000 grams of dry cannabis (December 31, 2023 – 350,568 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 loss on biological assets of $nil was included in costs of goods sold for the year ended December 31, 2024 (December 31, 2023 – gain of $43,991).

(Expressed in Canadian dollars, unless otherwise noted)

7. INVENTORY

		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**

		Capitalized Cost		Biological assets fair value adjustment		Impairment		Carrying Value
Harvested Cannabis								
Seeds	$	387,563	$	-	$	(387,563)	$	-
Wet Flower		120,080		(117,098)		-		2,982
Dried Flower		397,016		2,354,634		(2,241,999)		509,651
		904,659		**2,237,536**		**(2,629,562)**		**512,633**
Active Pharmaceutical Ingredients								
Work in process		648,906		1,084,086		(931,965)		801,027
Finished goods		13,631		54		(54)		13,631
		662,537		**1,084,140**		**(932,019)**		**814,658**
Supplies and consumables		**1,119,849**		**-**		**(429,081)**		**690,768**
Finished goods		**2,460,511**		**-**		**(17,511)**		**2,443,000**
December 31, 2023	**$**	**5,147,556**	**$**	**3,321,676**	**$**	**(4,008,173)**	**$**	**4,461,059**

The value of inventory transferred to cost of goods sold during the year ended December 31, 2024, was $12,153,716 (December 31, 2023 - $9,170,932). For the year ended December 31, 2024, the Company recognized inventory impairment recovery of $310,643 to account for changes in the net realizable value of cannabis inventory previously impaired. In 2023, the Company was able to sell inventory that had been written down in a prior period, resulting in a net recovery of $260,258. The reversal is included as a reduction of cost of goods sold

(Expressed in Canadian dollars, unless otherwise noted)

8. PROPERTY AND EQUIPMENT

	Equipment $	Land $	Construction in Progress $	Infrastructure and Buildings $	Total $
Cost					
December 31, 2023	5,188,584	6,919,647	219,678	1,597,974	13,925,883
Additions	135,651	-	266,923	-	402,574
Disposals	(89,689)	-	-	-	(89,689)
Foreign exchange translation	(208,792)	(328,545)	(10,430)	(71,206)	(618,973)
December 31, 2024	**5,025,754**	**6,591,102**	**476,171**	**1,526,768**	**13,619,795**
Accumulated Depreciation					
December 31, 2023	1,851,093	-	-	319,868	2,170,961
Depreciation	314,283	-	-	87,474	401,757
Disposals	(89,689)	-	-	-	(89,689)
Foreign exchange translation	(22,243)	-	-	(12,901)	(35,144)
December 31, 2024	**2,053,444**	**-**	**-**	**394,441**	**2,447,885**
Net Book Value					
December 31, 2023	3,337,491	6,919,647	219,678	1,278,106	11,754,922
December 31, 2024	**2,972,310**	**6,591,102**	**476,171**	**1,132,327**	**11,171,910**

	Equipment $	Land $	Construction in Progress $	Infrastructure and Buildings $	Total $
Cost					
December 31, 2022	4,351,599	5,691,073	180,674	1,331,702	11,555,048
Additions	81,112	-	-	-	81,112
Disposals	(29,485)	-	-	-	(29,485)
Foreign exchange translation	785,358	1,228,574	39,004	266,272	2,319,208
December 31, 2023	**5,188,584**	**6,919,647**	**219,678**	**1,597,974**	**13,925,883**
Accumulated Depreciation					
December 31, 2022	1,329,710	-	-	207,980	1,537,690
Depreciation	366,815	-	-	82,218	449,033
Disposals	(11,522)	-	-	-	(11,522)
Foreign exchange translation	166,090	-	-	29,670	195,760
December 31, 2023	**1,851,093**	**-**	**-**	**319,868**	**2,170,961**
Net Book Value					
December 31, 2022	3,021,889	5,691,073	180,674	1,123,722	10,017,358
December 31, 2023	**3,337,491**	**6,919,647**	**219,678**	**1,278,106**	**11,754,922**

During the year ended December 31, 2024, the Company recognized depreciation expense on its property and equipment of $401,757 (December 31, 2023 - $449,033).

(Expressed in Canadian dollars, unless otherwise noted)

9. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

	Customer Relationships $	Ecommerce Platform $	Licenses and Permits $	Software Licenses $	Intellectual Property $	Total $
Cost						
December 31, 2023	761,327	968,932	47,156	113,943	176,763	2,068,121
Additions	-	-	-	-	-	-
Foreign exchange translation	-	-	(2,239)	(5,457)	(4,571)	(12,267)
December 31, 2024	**761,327**	**968,932**	**44,917**	**108,486**	**172,192**	**2,055,854**
Accumulated Amortization						
December 31, 2023	192,994	422,311	47,156	113,943	105,265	881,669
Amortization	124,000	177,629	-	-	15,902	317,531
Foreign exchange translation	-	-	(2,239)	(5,457)	(4,571)	(12,267)
December 31, 2024	**316,994**	**599,940**	**44,917**	**108,486**	**116,596**	**1,186,933**
Net Book Value						
December 31, 2023	568,333	546,621	-	-	71,498	1,186,452
December 31, 2024	**444,333**	**368,992**	**-**	**-**	**55,596**	**868,921**

	Customer Relationships $	Ecommerce Platform $	Licenses and Permits $	Software Licenses $	Intellectual Property $	Total $
Cost						
December 31, 2022	141,327	455,994	38,783	93,535	80,163	809,802
Additions	620,000	512,938	-	-	79,510	1,212,448
Foreign exchange translation	-	-	8,373	20,408	17,090	45,871
December 31, 2023	**761,327**	**968,932**	**47,156**	**113,943**	**176,763**	**2,068,121**
Accumulated Amortization						
December 31, 2022	141,327	288,366	38,783	93,535	80,163	642,174
Amortization	51,667	133,945	-	-	8,194	193,806
Foreign exchange translation	-	-	8,373	20,408	16,908	45,689
December 31, 2023	**192,994**	**422,311**	**47,156**	**113,943**	**105,265**	**881,669**
Net Book Value						
December 31, 2022	-	167,628	-	-	-	167,628
December 31, 2023	**568,333**	**546,621**	**-**	**-**	**71,498**	**1,186,452**

During the year ended December 31, 2024, the Company recognized amortization on its intangible assets of $317,531 (December 31, 2023 - $193,806). The Company did not identify any impairment indicators for the finite-lived intangibles and therefore no impairment losses were recognized.

Goodwill

Goodwill of $334,000 was recognized during the year ended December 31, 2023, as a result of the acquisition of Medical Cannabis by Shoppers Drug Mart (note 4). For the purposes of testing impairment, the Company includes the acquired business operations as a separate CGU. During the year ended December 31, 2024, the Company determined that the recoverable amount, based on the value in use, exceeds the carrying amount of the CGU and therefore no impairment loss was required. The value in use was calculated using a discounted cash flow model using a 26.5% discount rate, based on the Company's cost of capital, and a 3% long-term growth rate.

(Expressed in Canadian dollars, unless otherwise noted)

10. RIGHT OF USE ASSETS

As of December 31, 2024, and 2023, the Company's right of use assets consisted of the following:

		December 31, 2024		December 31, 2023
Cost				
Opening balance	$	392,297	$	392,297
Ending balance	$	392,297	$	392,297
Accumulated Amortization				
Opening balance	$	156,919	$	22,470
Depreciation		134,449		134,449
Ending balance	$	291,368	$	156,919
Net Book Value	**$**	**100,929**	**$**	**235,378**

11. DEFERRED REVENUE

		December 31, 2024		December 31, 2023
Opening balance	$	1,937,964	$	2,353,897
Revenue recognized		(415,933)		(415,933)
Ending Balance	**$**	**1,522,031**	**$**	**1,937,964**

[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 $378,000 as license revenue for the year ended December 31, 2024 (December 31, 2023 - $378,000).

[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 $25,191 into License Revenue for the year ended December 31, 2024 (December 31, 2023 - $25,191). Subsequent payments are to be recognized into revenue as each milestone has been met.

(Expressed in Canadian dollars, unless otherwise noted)

11. 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 $12,742 into License Revenue for the year ended December 31, 2024 (December 31, 2023 - $12,742). Subsequent fees are to be recognized into revenue as each milestone is met.

Future recognition of current 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**

12. LEASE LIABILITY

As of December 31, 2024, and December 31, 2023, the lease liability consisted of the following:

		December 31, 2024		December 31, 2023
Opening balance	$	245,610	$	372,122
Interest incurred on lease liability		13,865		23,737
Lease payments		(150,248)		(150,249)
Ending balance	$	**109,227**	$	**245,610**
Lease liability – current portion		109,227		150,248
Lease liability – noncurrent portion		-		95,362

The Company has lease liabilities related to the lease of its corporate offices. On September 30, 2022, the Company's lease on office space ended and a new lease agreement was entered into, effective November 1, 2022. The weighted average discount rate for the year ended December 31, 2024, was 8% percent (December 31, 2023 – 8%).

The total future minimum rent payable under the Company's lease on December 31, 2024, was as follows:

Due in less than 1 year	$	112,986
Due between 1 and 3 years		-
Total lease payments		112,686
Amounts representing interest over the term of the lease		(3,459)
Present value of minimum lease payments	**$**	**109,227**

(Expressed in Canadian dollars, unless otherwise noted)

13. CONVERTIBLE DEBENTURES

The following table is a break down of the convertible debenture balance on initial recognition and subsequent accretion:

		December 31, 2024		December 31, 2023
Opening balance	$	-	$	1,861,201
Additions		-		-
January 28, 2023 amendment - derivative liability allocation		-		(55,814)
July 28, 2023 amendment - extension fee		-		(15,000)
Accretion		-		147,613
Converted to debt		-		(762,000)
Converted to common shares		-		(876,000)
Payments		-		(300,000)
Ending Balance	**$**	**-**	**$**	**-**

On January 28, 2022, the Company completed a convertible debenture offering through the issuance of 1,938 convertible debenture units, issued at a price of $800 per unit for gross proceeds of $1,550,400. Each debenture unit consisted of an aggregate of $1,000 principal of secured subordinated convertible debentures of 545 common share purchase warrants.

The debentures matured one year following the closing date. Each debenture was convertible at any time following the date that is one year from the closing date, at the option of the holder, into common shares at a price of: (A) $1.20 per share, if converted between the period commencing year from the closing date and ending on the second business day prior to the maturity date; or (B) $0.85 per share, if converted anytime after the second business day prior to the maturity date. The debentures did not bear interest prior to the Maturity Date, after which they bore interest at a rate of 15%.

Each common share purchase warrant was exercisable into one common share at a price of $1.10 per share for a period of three years from the closing date.

A portion of the proceeds was allocated to the warrants and the conversion option, which was accounted for as a derivative liability. The fair value assigned to the warrants was $206,255 and was determined using the Black-Scholes Option Pricing Model using the following variables: risk-free rate of 1.4%, volatility of 95.3%, expected life of 3 years, dividend yield 0% and share price of $0.47. Refer to note 17 for details on the fair value of the conversion option.

As a result, the Company recognized the following:

Convertible debenture	$	1,199,085
Issuance Costs		77,163
Warrants (note 18)		206,255
Derivative liability (note 15)		67,897
	$	**1,550,400**

On January 28, 2023, the Company entered into agreements with the holders of these debentures to amend the terms of the debentures and warrants issued with the debentures. Debentures bearing an aggregate amount of $876,000 had their conversion price amended from $0.85 to $0.40 per Common Share (the "repriced debentures") while the remaining debentures bearing an aggregate amount of $1,062,000 had their maturity date extended from January 28, 2023, to July 28, 2023 (the "extended debentures" and together with the repriced debentures, the "amended debentures"). A total of 3,439,409 common shares were issuable upon conversion of the amended debentures.

(Expressed in Canadian dollars, unless otherwise noted)

13. CONVERTIBLE DEBENTURES (CONTINUED)

On the agreement date, the repriced debentures, with a value of $876,000, were converted into an aggregate of 2,190,000 common shares. Debentures with a face value of $1,062,000 were extinguished, given the extension was granted on the maturity date. A new convertible debenture was recorded accruing interest at 15% per annum. The portion of the face value allocated to the conversion option, which was accounted for as a derivative liability. As a result, the Company recognized the following:

Convertible debenture	$	1,006,186
Derivative liability (note 15)		55,814
	$	**1,062,000**

In conjunction with these amendments, the exercise price of the common share purchase warrants issued with the loan agreement was amended from $1.10 per common share to $0.55 per common share.

On July 28, 2023, Debenture Holders representing $762,000 of the outstanding principal transferred the balance into a non-convertible term loan (note 14). The Company entered into an agreement with remaining debenture holders, representing $300,000 of the outstanding principal, to further amend the original terms of the debentures. The maturity date was amended to October 31, 2023, the interest rate was amended to 20% and an extension fee of 5% ($15,000) of the outstanding principal was added. On October 31, 2023, the remaining extended balance of $300,000 was paid in full.

During the year ended December 31, 2024, the Company recognized accretion expense of $nil (December 31, 2023 - $147,613) and interest expense of $nil (December 31, 2023 - $96,500) in relation to these convertible debentures.

14. LOANS PAYABLE

		December 31, 2024		**December 31, 2023**
Opening balance	$	1,557,787	$	976,397
Additions:		-		1,257,964
Repayments		(1,683,290)		(771,671)
Accretion		124,229		133,795
Foreign exchange translation		1,274		($38,698)
Ending Balance	**$**	**-**	**$**	**1,557,787**
Current	$	-	**$**	1,557,787
Non-current	$	-	**$**	-

Term loan

On August 18, 2021, the Company entered into a term loan agreement for principal of $2,118,000, incurring 5% interest for a term of 13 months. The loan principal was to be repaid in 12 equal monthly payments, beginning 2 months after the issuance date. The balance was recognized net of the following discounts and issuance costs:

Principal	$	2,118,000
Discount		(318,000)
Issuance Costs		(100,000)
Warrants (note 18)		(577,060)
	$	**1,122,940**

As part of the term loan agreement, the Company issued 1,636,364 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 $1.10 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 0.55%, volatility of 98%, expected life of 1.5 years, dividend yield 0% and share price of $1.08.

(Expressed in Canadian dollars, unless otherwise noted)

14. LOANS PAYABLE (CONTINUED)

On October 31, 2022, the Company entered into an extension agreement in connection with this term loan. Under the terms of the extension, the maturity date was extended by 5 months to March 19, 2023, accruing interest at the original rate of 5%. The Company agreed to make monthly payments of $50,000 plus any accrued interest, with the balance paid in a lump sum on the maturity date. In addition, the Company agreed to pay a fee equal to 15% of the amount extended. The fee was payable on the maturity date and did not accrue interest. In conjunction with the extension, the exercise price of the common share purchase warrants issued with the loan agreement was amended from $1.10 per common share to $0.55 per common share.

On March 20, 2023, the balance of the term loan was repaid in full.

During the year ended December 31, 2024, the Company incurred accretion expense of $nil (December 31, 2023 - $60,987) and interest expense of $nil (December 31, 2023 - $5,434) in relation to this loan.

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 was 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 year ended December 31, 2024, the Company incurred interest expense of $7,808 (December 31, 2023 - $25,221) 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 18)		(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 year ended December 31, 2024, the Company incurred accretion expense of $124,22 (December 31, 2023 - $72,808) and interest expense of $145,800 (December 31, 2023 - $109,125) in relation to this loan.

(Expressed in Canadian dollars, unless otherwise noted)

15. DERIVATIVE LIABILITIES

		December 31, 2024		December 31, 2023
Opening balance	$	-	$	972
Additions		-		55,813
Gain on change in fair value		-		(56,785)
Ending Balance	**$**	**-**	**$**	**-**

On January 28, 2022, the Company completed a convertible debenture offering (note 13). As there was more than one conversion price that investors could exercise at, the conversion option did not meet the fixed-for-fixed criteria under IFRS 9 and therefore was accounted for as a derivative liability at fair value through profit or loss. On the date of issuance, the conversion option had a fair value of $67,897 which was determined using the Black-Scholes option pricing model with the following variables: risk-free rate of 0.98%, volatility of 63.2%, expected life of 1 year, dividend yield 0%, share price of $0.47 and exercise price of $0.85 - $1.20.

On January 28, 2023, the derivative liability was extinguished on the amendment of the debenture agreements (note 13) and replaced with a derivative liability consistent with the amended terms of the unconverted debentures. On the date of amendment, the derivative liability had a fair value of $55,813 which was determined using a Black-Scholes option pricing model with the following variables: risk-free rate of 3.85%, volatility of 112.53%, expected life of 0.5 years, dividend yield 0%, share price of $0.41 and exercise price of $0.85. For the year ended December 31, 2024, there was no such liability and the change in fair value was $nil (December 31, 2023 – $56,785).

16. ROYALTY LIABILITY

		December 31, 2024		December 31, 2023
Opening balance	$	1,070,000	$	-
Additions		-		1,070,000
Change in fair value		(769,868)		-
Ending Balance	**$**	**300,132**	**$**	**1,070,000**

On July 31, 2023, the Company closed the acquisition of Medical Cannabis by Shoppers Drug Mart (Note 4). 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 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 (December 31, 2023 - $nil) was recorded. The change in the fair value of the liability was based on actual results and customer attrition.

(Expressed in Canadian dollars, unless otherwise noted)

17. 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 year ended December 31,			
		2024		**2023**
Salaries	$	670,766	$	469,728
Stock-based compensation		484,273		519,628
	$	**1,155,039**	**$**	**989,356**

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 $672,305 (December 31, 2023 - $317,487). 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.

On December 20, 2023, the Company and the minority shareholder of SMGH completed a capitalization of a total of $12,362,456 (COP$36,435,608,891) in shareholder contributions in SMGH, including $4,525,411 in contributions from the minority shareholder. The Company and the minority shareholder received an additional 13,611,027 and 13,094,457 shares in SMGH, respectively. As a condition of the capitalization, the shares were issued to the Company at a premium resulting in a decrease in the Company's ownership share in SMGH to 51% from 60%.

During the year ended December 31, 2024, $nil was converted into equity in SMGH.

Changes in the balances are disclosed in the following table:

		December 31, 2024		**December 31, 2023**
Opening Balance	$	317,487	$	3,843,196
Additions		312,469		770,395
Capitalized		-		(4,525,411)
Foreign exchange		42,349		229,307
Ending Balance	**$**	**672,305**	**$**	**317,487**

18. 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 December 31, 2024, the Company had 110,215,490 common shares issued and outstanding (December 31, 2023 – 90,676,969).

[i] On March 20, 2023, the Company issued an aggregate of 3,096,230 Units (the "Units") at a price of $0.40 per Unit for net proceeds of $1,226,492, comprised of gross proceeds of $1,238,492 less issuance costs of $12,000. 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 $0.50 until March 20, 2026.

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:

(Expressed in Canadian dollars, unless otherwise noted)

18. SHARE CAPITAL (CONTINUED)

Common shares	$	1,019,089
Warrants		204,822
Broker warrants		2,481
	$	**1,226,392**

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 $0.37, a risk-free interest rate of 3.48%, an expected annualized volatility of 92.28% and expected dividend yield of 0%.

[ii] On May 26, 2023, the Company issued 2,883,879 common shares on the exercise of an equivalent number of warrants as part of a Warrant Inventive Program (the "Program"). Under the terms of the Program, subscribers holding warrants exercisable at $0.40 per common share, who choose to exercise their warrants received one-half of a warrant (each whole warrant an "Incentive Warrant"), exercisable at $0.50 per share until May 26, 2026. As part of the Program, the Company issued 1,441,940 Incentive Warrants with a calculated fair value of $196,230. The fair value of the Incentive Warrants was determined using the Black-Scholes option pricing model with a market price per common share of $0.385, a risk-free interest rate of 3.94%, an expected annualized volatility of 88.50% and expected dividend yield of 0%.

[iii] On September 5, 2023, 1,875 common shares were issued on the exercise of 1,875 common share purchase warrants with an exercise price of $0.41 per share for gross proceeds of $769. The fair value of the warrants exercised of $289 was moved to share capital.

[iv] On October 20, 2023, 252,143 common shares were issued on the exercise of 252,143 common share purchase warrants with in exercise price of $0.40 per share for gross proceeds of $100,858. The fair value of the warrants exercise of $36,222 was moved to share capital.

[v] On December 4, 2023, the Company issued an aggregate of 2,537,508 Units (the "Units") at a price of $0.35 per Unit for net cash proceeds of $857,426, comprised of gross proceeds of $888,128 less issuance costs of $30,702. 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 $0.41 until December 4, 2026.

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	$	555,652
Warrants		282,687
Broker warrants		19,087
	$	**857,426**

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 $0.46, a risk-free interest rate of 3.95%, an expected annualized volatility of 94.01% and expected dividend yield of 0%.

[vi] 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.

(Expressed in Canadian dollars, unless otherwise noted)

18. 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	$	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%.

[vii] 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.

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%.

[viii] 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%.

(Expressed in Canadian dollars, unless otherwise noted)

18. SHARE CAPITAL (CONTINUED)

Warrant Reserve

As of December 31, 2024, the following warrants were outstanding and exercisable:

	Warrants	Weighted average exercise price
	#	$
Outstanding as of December 31, 2022	**26,548,199**	**0.90**
Warrants issued	5,815,463	0.10
Warrants exercised	(3,132,897)	0.05
Warrants expired	(3,842,327)	0.21
Outstanding as of December 31, 2023	**25,388,438**	**0.73**
Warrants issued	7,649,435	0.14
Warrants exercised	(312,000)	0.01
Warrants expired	(8,409,875)	0.46
Outstanding as of December 31, 2024	**24,316,498**	**0.43**

The following table is a summary of the Company's warrants outstanding as of December 31, 2024:

	Warrants Outstanding		Warrants Exercisable	
Exercise price range	**Number outstanding**	**Weighted average remaining life**	**Weighted average exercise price**	**Number exercisable**
$	#	(years)	$	#
0.55	3,791,939	0.57	0.09	3,791,939
0.50	2,988,055	0.41	0.06	2,988,055
0.41	1,371,033	0.22	0.02	1,371,033
0.40	14,710,471	1.98	0.24	14,710,471
0.35	1,455,000	0.21	0.02	1,455,000
	24,316,498	**3.39**	**0.43**	**24,316,498**

19. SHARE BASED PAYMENT RESERVE AND COMPENSATION

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.

(Expressed in Canadian dollars, unless otherwise noted)

19. SHARE BASED PAYMENT RESERVE AND COMPENSATION (CONTINUED)

Share-based compensation is comprised of the following:

	For the year ended December 31, 2024		For the year ended December 31, 2023	
		2024		**2023**
Stock options	$	291,243	$	63,194
Restricted Stock Units		1,281,147		1,879,625
	$	**1,572,390**	**$**	**1,941,819**

<u>Employee and non-employee options</u>

[i] Measurement of fair values

The fair value of share options granted during the years ended December 31, 2024, and 2023, was estimated at the date of grant using the Black Scholes option pricing model using the following range of inputs:

	2024	**2023**
Grant date share price	\$0.26 - \$0.30	\$0.30 - \$0.48
Exercise price	\$0.33 - \$0.39	\$0.35 - \$0.60
Expected dividend yield	0%	0%
Risk-free interest rate	3.37% - 3.43%	3.24% - 4.83%
Expected option life	5 years	5 years
Expected volatility	20.04% - 20.06%	19.66% - 22.36%

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, 2022	**1,532,797**	**2.29**
Options issued	2,210,000	0.22
Options cancelled and forfeited	(779,259)	2.24
Outstanding on December 31, 2023	**2,963,538**	**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**	**059**

(Expressed in Canadian dollars, unless otherwise noted)

19. SHARE BASED PAYMENT RESERVE AND COMPENSATION (CONTINUED)

The following table is a summary of the Company's share options outstanding as of December 31, 2024:

	Options Outstanding			Options Exercisable
Exercise price range	**Number outstanding**	**Weighted average remaining life**	**Weighted average exercise price**	**Number exercisable**
$	#	(years)	$	#
0.30	300,000	0.19	0.01	125,000
0.33	2,137,500	1.21	0.09	2,133,750
0.35	350,000	0.20	0.02	350,000
0.37	40,000	0.01	0.00	40,000
0.38	500,000	0.21	0.02	25,000
0.39	2,000,000	1.06	0.10	-
0.40	337,500	0.09	0.02	300,000
0.45	400,000	0.20	0.02	400,000
0.47	410,000	0.19	0.02	410,000
0.60	475,000	0.18	0.04	237,500
1.00	415,000	0.11	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	230,000	0.01	0.06	230,000
2.50	67,608	0.04	0.02	67,608
2.75	153,700	0.02	0.05	153,700
5.00	1,550	0.00	0.00	1,550
7.30	2,000	0.00	0.00	2,000
8.00	60,000	0.01	0.06	60,000
	7,890,358	**3.73**	**0.59**	**4,961,608**

During the year ended December 31, 2023, the Company recognized a total share-based compensation expense relating to options of $291,243 (December 31, 2023 - $63,194).

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.

(Expressed in Canadian dollars, unless otherwise noted)

19. SHARE BASED PAYMENT RESERVE AND COMPENSATION (CONTINUED)

The following table summarized the continuity of the Company's RSUs:

	Restricted stock units #	Weighted average issue price $
Outstanding on December 31, 2022	**1,093,881**	**0.59**
RSUs issued	5,842,732	0.32
RSUs vested	(4,767,533)	0.38
RSUs forfeited	(400,178)	0.38
Outstanding on December 31, 2023	**1,768,902**	**0.32**
RSUs issued [ii]	4,063,562	0.28
RSUs vested [i]	(4,625,169)	0.31
RSUs forfeited	(45,000)	0.31
Outstanding on December 31, 2024	**1,162,295**	**0.30**

[i] During the year ended December 31, 2024, 4,625,169 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 year ended December 31, 2024, 4,063,562 restricted stock units were issued with a fair value of between $0.24 - $0.31 per unit. Of the units issued, 3,189,151 vested immediately and the remainder vest over two years.

During the year ended December 31, 2024, the Company recognized a total share-based compensation expense relating to restricted stock units of $1,281,147 (December 31, 2023 - $1,879,625).

20. NON-CONTROLLING INTEREST

The following table presents the summarized financial information about the Company's subsidiaries that have non-controlling interests. This information represents amounts before intercompany eliminations as of December 31, 2024, and 2023.

Santa Marta Golden Hemp S.A.S.		**December 31, 2024**		**December 31, 2023**
Current assets	$	2,453,486	$	2,490,633
Non-current assets		10,770,295		11,319,507
Current liabilities		(929,545)		(635,954)
Ending Balance	**$**	**12,294,236**	**$**	**13,174,186**

Sigma Magdalena Canada Inc.		**December 31, 2024**		**December 31, 2023**
Current assets	$	2,801	$	2,955
Non-current assets		219,809		230,766
Current liabilities		(228,607)		(240,003)
Ending Balance	**$**	**(5,997)**	**$**	**(6,282)**

(Expressed in Canadian dollars, unless otherwise noted)

20. NON-CONTROLLING INTEREST (CONTINUED)

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

		December 31, 2024		December 31, 2023
Opening Balance	$	8,084,615	$	3,842,211
Capitalization of non-controlling interest contributions (note 17)		-		4,525,411
Foreign translation		(413,582)		535,979
Net loss attributed to non-controlling interest		(242,278)		(818,986)
Ending Balance	**$**	**7,428,755**	**$**	**8,084,615**

21. 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 December 31, 2024, $2,951,968 in trade and other receivables remained outstanding (December 31, 2023 – $2,936,925). 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.

A summary of aged trade and other receivables is included below:

December 31, 2024

	1 - 30	31 - 60	61 - 90	90 +	Total
	$	$	$	$	$
Trade and other receivables	2,225,017	104,946	97,081	524,924	2,951,968

December 31, 2023

	1 - 30	31 - 60	61 - 90	90 +	Total
	$	$	$	$	$
Trade and other receivables	1,112,750	376,757	276,521	1,170,897	2,936,925

During the year ended December 31, 2024, the Company has recognized an estimated credit losses of $481,879 (December 31, 2023, – $429,554).

(Expressed in Canadian dollars, unless otherwise noted)

21. 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 management of 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	$ 7,771,623	$ 7,771,623	$ 7,771,623	$ -	$ -
Lease liability	109,227	112,686	112,686	-	-
Royalty liability	300,132	300,132	300,132	-	-
	$ 8,180,982	**$ 8,184,441**	**$ 8,184,441**	**$ -**	**$ -**

The due to related party balance of $672,305 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. A 5% change in the value of the Colombian Pesos would lead to a change of approximately $32,967.

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 as all borrowing have fixed rates of interest which are not effected 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.

(Expressed in Canadian dollars, unless otherwise noted)

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

The carrying values of cash, amounts receivable, amounts payable, current portion of loan 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 consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1	Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	Valuation techniques based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3	Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

The Company's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, 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, Share-based payment reserve and derivative liability are classified as a level 2 financial instrument. As of the years ended December 31, 2024, and 2023, there were no level 3 financial instruments.

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31	
	2024	**2023**
Office and general	$ 3,809,990	$ 3,264,843
Selling, marketing and promotion	3,188,840	2,159,092
Consulting fees	944,891	802,436
Professional fees	790,898	1,013,713
Salaries and wages	5,757,672	4,317,920
Research and development	178,157	330,662
	$ 14,670,448	**$ 11,888,666**

During the year ended December 31, 2024, as part of its inventory costing process, the Company capitalized $211,355 of salaries to inventory and biological assets (December 31, 2023 – $227,581).

(Expressed in Canadian dollars, unless otherwise noted)

23. INCOME TAX

Current tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2023 – 26.5%) to the effective tax rate is as follows:

	For the year ended December 31	
	2024	**2023**
	$	$
Net loss before recovery of income taxes	(3,617,681)	(8,734,003)
Expected income tax recovery	(958,690)	(2,316,900)
Tax rate changes and other adjustments	40,750	(154,780)
Permanent difference	(152,040)	601,430
Loan payable booked to warrant	-	72,260
Prior year true-up	(1,297,560)	1,236,220
Change in tax benefits not recognized	2,367,540	561,770
Income tax recovery	-	-

Deferred tax

The following table summarizes the components of deferred tax:

	December 31, 2024	**December 31, 2023**
	$	$
Deferred tax assets		
Property and equipment	118,353	440,620
Intangible asset	(9,370)	23,550
Deferred revenue	403,340	513,560
Term loan	-	352,650
Royalty liability	79,530	-
Capital lease obligation	28,950	65,090
Foreign Exchange	683,220	186,940
Reserves	4,880	30,760
Inventory impairment	879,750	1,353,960
Net fair value of inventory	864,230	-
Share issuance costs	119,230	205,690
Capital losses – Canada	75,260	75,260
Losses Canada	11,711,890	11,089,820
Losses Colombia	6,682,290	7,398,460
Valuation allowance	(21,331,250)	(20,124,970)
	310,300	**1,611,390**

(Expressed in Canadian dollars, unless otherwise noted)

23. INCOME TAX (CONTINUED)

	December 31, 2024	December 31, 2023
	$	$
Deferred tax liabilities		
Capital lease assets	(26,750)	(62,380)
Term loan	-	(386,420)
Royalty liability	(283,550)	-
Net fair value inventory	-	(1,162,590)
	(310,300)	**(1,611,390)**
Net deferred tax liability	**-**	**-**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2024	December 31, 2023
	$	$
Share issuance costs	449,910	776,194
Capital loss – Canada	568,010	568,010
Losses carried forward – Canada	44,195,790	41,848,360
Losses carried forward – Colombia	19,092,260	21,138,450
	64,305,970	**64,331,010**

The Canadian non-capital loss carryforwards expire as noted in the table below. The Colombian loss carry forwards expire between 2019 and 2036. Share issue and financing costs will be fully amortized in 2028. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

	$
2036	11,570
2037	2,398,600
2038	4,810,280
2039	3,912,610
2040	6,662,410
2041	5,339,480
2042	7,593,630
2043	6,845,360
2044	4,274,430
2045	2,347,420
	44,195,790

(Expressed in Canadian dollars, unless otherwise noted)

24. EARNINGS PER SHARE

	For the years ended December 31			
		2024		2023
Net income attributable to equity holders of the Company	$	(4,075,526)	$	(6,346,854)
Weighted average number of common shares – basic and diluted		100,030,541		84,707,820
Net loss per share – basic and diluted		(0.04)		(0.08)

25. NON-CASH OPERATING ELEMENTS OF WORKING CAPITAL

	For the years ended December 31			
		2024		2023
Amounts receivable	$	(261,872)	$	(1,248,424)
Biological assets		42,051		46,645
Inventory		527,616		1,156,765
Prepaid assets		340		10,299
Accounts payable		(1,098,526)		4,391,411
	$	**(790,391)**	**$**	**4,356,696**

26. 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 December 31, 2024, 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. Corporate includes overhead and financing costs incurred by the Company to support its public company infrastructure and operating segments. During the year ended December 31, 2024, the Company updated it's segment reporting policy to align with current business. Prior year disclosure has been retroactively updated to align with the new reporting policy.

		Canada		International		Corporate		Total
Year ended December 31, 2024								
Statement of Financial Position								
Current assets	$	4,318,367	$	3,322,805	$	-	$	7,641,172
Non-current assets		1,388,501		11,087,259		-		12,475,760
Current liabilities		7,684,119		1,585,103		-		9,269,222
Non-current liabilities		1,106,096		-		-		1,106,096
Statement of Operations and Comprehensive Loss								
Revenue	$	23,536,568	$	1,922,647	$	-	$	25,449,215
Gross margin		11,624,823		1,273,489		-		12,898,312
Operating expenses		(13,139,185)		(2,260,270)		(2,178,999)		(17,578,454)
Net loss before tax		(794,129)		(644,553)		(2,178,999)		(3,617,681)

(Expressed in Canadian dollars, unless otherwise noted)

26. SEGMENT REPORTING (CONTINUED)

	Canada	International	Corporate	Total
Year ended December 31, 2023				
Statement of Financial Position				
Current assets	$ 5,283,415	$ 3,176,941	$ -	$ 8,460,356
Non-current assets	1,881,131	11,629,621	-	13,510,752
Current liabilities	10,277,340	1,688,331	-	11,965,671
Non-current liabilities	2,033,326	-	-	2,033,326
Statement of Operations and Comprehensive Loss				
Revenue	$ 16,427,064	$ 364,419	$ -	$ 16,791,483
Gross margin	7,362,292	(703,600)	-	6,658,692
Operating expenses	(9,216,547)	(2,547,015)	(3,274,765)	(15,038,327)
Net loss before tax	(2,353,647)	(3,114,591)	(3,274,765)	(8,743,003)