



SNDL Inc.

# **Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited – expressed in thousands of Canadian dollars)

**SNDL Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited - expressed in thousands of Canadian dollars)

As at	Note	June 30, 2024	December 31, 2023
<b>Assets</b>			
Current assets			
Cash and cash equivalents		182,934	195,041
Restricted cash		19,972	19,891
Marketable securities		156	225
Accounts receivable		22,361	27,059
Biological assets	5	868	429
Inventory	6	132,912	129,060
Prepaid expenses and deposits		19,303	22,464
Investments	12	28,514	3,400
Assets held for sale	7	19,051	6,375
Net investment in subleases	10	2,819	2,970
		<b>428,890</b>	<b>406,914</b>
Non-current assets			
Long-term deposits and receivables		6,232	4,837
Right of use assets	8	119,473	129,679
Property, plant and equipment	9	132,362	152,916
Net investment in subleases	10	16,572	18,396
Intangible assets	11	73,961	73,149
Investments	12	835	29,660
Equity-accounted investees	13	571,178	538,331
Goodwill		124,552	119,282
<b>Total assets</b>		<b>1,474,055</b>	<b>1,473,164</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		62,389	68,210
Lease liabilities	15	32,618	30,537
Derivative warrants	14	3,900	4,400
		<b>98,907</b>	<b>103,147</b>
Non-current liabilities			
Lease liabilities	15	124,994	136,492
Other liabilities		6,236	4,185
<b>Total liabilities</b>		<b>230,137</b>	<b>243,824</b>
<b>Shareholders' equity</b>			
Share capital	16(b)	2,380,753	2,375,950
Warrants	16(c)	667	2,260
Contributed surplus		79,568	73,014
Contingent consideration		2,279	2,279
Accumulated deficit		(1,269,177)	(1,260,851)
Accumulated other comprehensive income		33,751	19,417
<b>Total shareholders' equity</b>		<b>1,227,841</b>	<b>1,212,069</b>
<b>Non-controlling interest</b>		<b>16,077</b>	<b>17,271</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,474,055</b>	<b>1,473,164</b>

Commitments (note 24)

Subsequent events (note 12)

See accompanying notes to the condensed consolidated interim financial statements.

**SNDL Inc.**
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

(Unaudited - expressed in thousands of Canadian dollars, except per share amounts)

		Three months ended June 30		Six months ended June 30	
	Note	2024	2023	2024	2023
<b>Net revenue</b>	18	<b>228,127</b>	231,916	<b>425,877</b>	422,961
Cost of sales	6	<b>169,963</b>	179,983	<b>317,313</b>	338,487
<b>Gross profit</b>		<b>58,164</b>	51,933	<b>108,564</b>	84,474
Investment income (loss)	19	<b>3,204</b>	(599)	<b>7,240</b>	(1,557)
Share of profit (loss) of equity-accounted investees	13	<b>5,252</b>	(936)	<b>14,400</b>	8,580
General and administrative		<b>48,036</b>	52,727	<b>92,731</b>	101,300
Sales and marketing		<b>3,439</b>	4,104	<b>6,037</b>	7,490
Research and development		<b>109</b>	20	<b>146</b>	160
Depreciation and amortization	8,9,11	<b>13,519</b>	13,443	<b>27,662</b>	29,911
Share-based compensation	17	<b>4,883</b>	3,893	<b>9,726</b>	6,102
Restructuring costs		<b>221</b>	4,042	<b>132</b>	5,578
Asset impairment	7,8,9	<b>919</b>	1,658	<b>2,575</b>	2,465
Loss on disposition of assets		<b>328</b>	77	<b>406</b>	261
<b>Operating income (loss)</b>		<b>(4,834)</b>	(29,566)	<b>(9,211)</b>	(61,770)
Other income (expenses)	20	<b>(1,417)</b>	(422)	<b>(4,689)</b>	(2,996)
Loss before income tax		<b>(6,251)</b>	(29,988)	<b>(13,900)</b>	(64,766)
Income tax recovery		<b>1,284</b>	—	<b>4,281</b>	—
Net loss from continuing operations		<b>(4,967)</b>	(29,988)	<b>(9,619)</b>	(64,766)
Net loss from discontinued operations		<b>—</b>	(3,170)	<b>—</b>	(4,535)
<b>Net loss</b>		<b>(4,967)</b>	(33,158)	<b>(9,619)</b>	(69,301)
Equity-accounted investees - share of other comprehensive income (loss)	13	<b>4,300</b>	(11,621)	<b>14,334</b>	(12,006)
Gain on translation of foreign operations		<b>—</b>	(5)	<b>—</b>	—
<b>Comprehensive income (loss)</b>		<b>(667)</b>	(44,784)	<b>4,715</b>	(81,307)
<b>Net loss from continuing operations attributable to:</b>					
Owners of the Company		<b>(5,772)</b>	(29,350)	<b>(8,326)</b>	(63,553)
Non-controlling interest		<b>805</b>	(638)	<b>(1,293)</b>	(1,213)
		<b>(4,967)</b>	(29,988)	<b>(9,619)</b>	(64,766)
<b>Net loss attributable to:</b>					
Owners of the Company		<b>(5,772)</b>	(32,520)	<b>(8,326)</b>	(68,088)
Non-controlling interest		<b>805</b>	(638)	<b>(1,293)</b>	(1,213)
		<b>(4,967)</b>	(33,158)	<b>(9,619)</b>	(69,301)
<b>Comprehensive income (loss) attributable to:</b>					
Owners of the Company		<b>(1,472)</b>	(44,146)	<b>6,008</b>	(80,094)
Non-controlling interest		<b>805</b>	(638)	<b>(1,293)</b>	(1,213)
		<b>(667)</b>	(44,784)	<b>4,715</b>	(81,307)
Net loss per common share attributable to owners of the Company					
Basic and diluted	21	<b>\$ (0.02)</b>	\$ (0.12)	<b>\$ (0.03)</b>	\$ (0.26)

See accompanying notes to the condensed consolidated interim financial statements.

**SNDL Inc.**
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

(Unaudited - expressed in thousands of Canadian dollars)

							Accumulated other comprehensive income	Non- controlling interest	Total
	Note	Share capital	Warrants	Contributed surplus	Contingent consideration	Accumulated deficit			
Balance at December 31, 2023		2,375,950	2,260	73,014	2,279	(1,260,851)	19,417	17,271	1,229,340
Net loss		—	—	—	—	(8,326)	—	(1,293)	(9,619)
Other comprehensive income		—	—	—	—	—	14,334	—	14,334
Share issuances		164	—	—	—	—	—	—	164
Share issuance costs		(57)	—	—	—	—	—	—	(57)
Share issuances by subsidiaries		—	—	52	—	—	—	76	128
Acquisition	3	3,693	—	—	—	—	—	—	3,693
Warrants expired		—	(1,593)	753	—	—	—	—	(840)
Share-based compensation	17	—	—	6,752	—	—	—	—	6,752
Employee awards exercised		1,003	—	(1,003)	—	—	—	—	—
Distribution declared by subsidiaries		—	—	—	—	—	—	23	23
<b>Balance at June 30, 2024</b>		<b>2,380,753</b>	<b>667</b>	<b>79,568</b>	<b>2,279</b>	<b>(1,269,177)</b>	<b>33,751</b>	<b>16,077</b>	<b>1,243,918</b>
Balance at March 31, 2024		2,377,163	667	75,233	2,279	(1,263,405)	29,451	15,240	1,236,628
Net loss		—	—	—	—	(5,772)	—	805	(4,967)
Other comprehensive income		—	—	—	—	—	4,300	—	4,300
Share issuance costs		(57)	—	—	—	—	—	—	(57)
Share issuances by subsidiaries		—	—	(22)	—	—	—	32	10
Acquisition	3	3,693	—	—	—	—	—	—	3,693
Share-based compensation	17	—	—	4,311	—	—	—	—	4,311
Employee awards exercised		(46)	—	46	—	—	—	—	—
<b>Balance at June 30, 2024</b>		<b>2,380,753</b>	<b>667</b>	<b>79,568</b>	<b>2,279</b>	<b>(1,269,177)</b>	<b>33,751</b>	<b>16,077</b>	<b>1,243,918</b>

**SNDL Inc.****Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

(Unaudited - expressed in thousands of Canadian dollars)

						Accumulated other comprehensive income	Non- controlling interest	Total equity
Note	Share capital	Warrants	Contributed surplus	Contingent consideration	Accumulated deficit			
Balance at December 31, 2022	2,292,810	2,260	68,961	2,279	(1,091,999)	32,188	21,156	1,327,655
Net loss	—	—	—	—	(68,088)	—	(1,213)	(69,301)
Other comprehensive loss	—	—	—	—	—	(12,006)	—	(12,006)
Share repurchases	(5,344)	—	—	—	3,808	—	—	(1,536)
Share issuances by subsidiaries	—	—	25	—	—	—	26	51
Acquisition	83,953	—	—	—	—	—	—	83,953
Shares acquired and cancelled	(6,615)	—	—	—	—	—	—	(6,615)
Share-based compensation	—	—	5,691	—	—	—	—	5,691
Employee awards exercised	1,041	—	(1,041)	—	—	—	—	—
Distribution declared by subsidiaries	—	—	—	—	—	—	(4)	(4)
Balance at June 30, 2023	2,365,845	2,260	73,636	2,279	(1,156,279)	20,182	19,965	1,327,888
Balance at March 31, 2023	2,365,319	2,260	70,716	2,279	(1,123,759)	31,808	20,587	1,369,210
Net loss	—	—	—	—	(32,520)	—	(638)	(33,158)
Other comprehensive loss	—	—	—	—	—	(11,626)	—	(11,626)
Share issuances by subsidiaries	—	—	37	—	—	—	22	59
Share-based compensation	—	—	3,409	—	—	—	—	3,409
Employee awards exercised	526	—	(526)	—	—	—	—	—
Distribution declared by subsidiaries	—	—	—	—	—	—	(6)	(6)
Balance at June 30, 2023	2,365,845	2,260	73,636	2,279	(1,156,279)	20,182	19,965	1,327,888

See accompanying notes to the condensed consolidated interim financial statements.

**SNDL Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited - expressed in thousands of Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Note	2024	2023	2024	2023
<b>Cash provided by (used in):</b>					
Operating activities					
Net loss for the period		(4,967)	(33,158)	(9,619)	(69,301)
Adjustments for:					
Income tax recovery		(1,284)	—	(4,281)	—
Interest and fee income	19	(3,218)	(3,421)	(7,309)	(7,632)
Change in fair value of biological assets		(336)	1,413	(568)	4,948
Share-based compensation	17	4,883	3,893	9,726	6,102
Depreciation and amortization	8,9,11	14,139	14,674	28,709	32,933
Loss on disposition of assets		328	77	406	261
Inventory impairment and obsolescence	6	1,069	4,291	2,982	13,468
Finance costs, net	20	2,157	2,458	3,782	7,631
Change in estimate of fair value of derivative warrants	14	(1,800)	(2,240)	(500)	(7,042)
Unrealized foreign exchange loss		51	(72)	155	(24)
Transaction costs		—	—	164	—
Asset impairment	7,8,9	919	1,658	2,575	2,465
Share of (profit) loss of equity-accounted investees	13	(5,252)	936	(14,400)	(8,580)
Realized loss on settlement of marketable securities	19	—	48,988	—	92,792
Unrealized (gain) loss on marketable securities	19	14	(44,968)	69	(83,603)
Proceeds from settlement of marketable securities		—	3,437	—	3,463
Interest received		2,649	3,217	5,821	6,920
Change in non-cash working capital		(4,650)	(14,193)	(9,709)	(56,755)
Net cash provided by (used in) operating activities from continuing operations		4,702	(13,010)	8,003	(61,954)
Net cash provided by operating activities from discontinued operations		—	4,167	—	4,314
<b>Net cash provided by (used in) operating activities</b>		<b>4,702</b>	<b>(8,843)</b>	<b>8,003</b>	<b>(57,640)</b>
Investing activities					
Additions to property, plant and equipment	9	(1,190)	(1,247)	(3,600)	(2,641)
Additions to intangible assets	11	—	(39)	—	(56)
Changes to investments	12	1,235	125	1,368	(702)
Changes to equity-accounted investees	13	—	(9,443)	168	(16,989)
Proceeds from disposal of property, plant and equipment		188	55	126	137
Acquisitions, net of cash acquired	3	(1,654)	—	(1,654)	3,695
Change in non-cash working capital		75	1,586	570	1,127
Net cash used in investing activities from continuing operations		(1,346)	(8,963)	(3,022)	(15,429)
Net cash used in investing activities from discontinued operations		—	—	—	—
<b>Net cash used in investing activities</b>		<b>(1,346)</b>	<b>(8,963)</b>	<b>(3,022)</b>	<b>(15,429)</b>
Financing activities					
Change in restricted cash		150	(76)	(81)	(118)
Payments on lease liabilities, net		(9,706)	(10,116)	(17,222)	(19,607)
Repurchase of common shares, net of costs		—	—	—	(1,536)
Proceeds from issuance of shares, net of costs		(57)	—	(57)	—
Issuance of common shares by subsidiaries		174	—	174	—
Change in non-cash working capital		63	200	98	199
Net cash used in financing activities from continuing operations		(9,376)	(9,992)	(17,088)	(21,062)
Net cash used in financing activities from discontinued operations		—	—	—	—
<b>Net cash used in financing activities</b>		<b>(9,376)</b>	<b>(9,992)</b>	<b>(17,088)</b>	<b>(21,062)</b>
Change in cash and cash equivalents		(6,020)	(27,798)	(12,107)	(94,131)
Cash and cash equivalents, beginning of period		188,954	213,253	195,041	279,586
Cash and cash equivalents, end of period		182,934	185,455	182,934	185,455

See accompanying notes to the condensed consolidated interim financial statements.

**SNDL Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**1. DESCRIPTION OF BUSINESS**

SNDL Inc. ("SNDL" or the "Company") was incorporated under the *Business Corporations Act* (Alberta) on August 19, 2006. On July 25, 2022, the Company's shareholders approved a special resolution amending the articles of SNDL to change the name of the Company from "Sundial Growers Inc." to "SNDL Inc."

The Company's head office is located at 300, 919 11th Avenue SW, Calgary, Alberta, Canada.

The principal activities of the Company are the retailing of wines, beers and spirits, the operation and support of corporate-owned and franchise retail cannabis stores in Canadian jurisdictions where the private sale of recreational cannabis is permitted, the manufacturing of cannabis products providing proprietary cannabis processing services, the production, distribution and sale of cannabis domestically and for export pursuant to the *Cannabis Act* (Canada) (the "Cannabis Act"), and the deployment of capital to investment opportunities. The Cannabis Act regulates the production, distribution, and possession of cannabis for both medical and adult recreational access in Canada. The Company also owns approximately 65% of Nova Cannabis Inc. ("Nova"), whose principal activities are the retail sale of cannabis.

SNDL and its subsidiaries operate solely in Canada. Through its joint venture, SunStream Bancorp Inc. ("SunStream") (note 13), the Company provides growth capital that pursues indirect investment and financial services opportunities in the cannabis sector, as well as other investment opportunities. The Company also makes strategic portfolio investments in debt and equity securities.

The Company's liquor retail operations are seasonal in nature. Accordingly, sales will vary by quarter based on consumer spending behaviour. The Company is able to adjust certain variable costs in response to seasonal revenue patterns; however, costs such as occupancy are fixed, causing the Company to report a higher level of earnings in the third and fourth quarters. This business seasonality results in quarterly performance that is not necessarily indicative of the year's performance. The cannabis retail industry is a growing industry for which seasonality cannot be reliably predicted.

The Company's common shares trade on the Nasdaq Capital Market under the ticker symbol "SNDL".

**2. BASIS OF PRESENTATION**

**STATEMENT OF COMPLIANCE**

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. These financial statements were prepared using the same accounting policies and methods as those disclosed in the annual consolidated financial statements for the year ended December 31, 2023. These financial statements should be read in conjunction with the annual consolidated financial statements for the Company for the year ended December 31, 2023.

Certain prior period amounts have been reclassified to conform to current year presentation. Specifically, cost of sales, inventory impairment and obsolescence, change in fair value of biological assets and change in fair value realized through inventory have been combined as cost of sales. Interest and fee revenue and investment income (loss) have been combined as investment income (loss). Finance costs (income), change in fair value of derivative warrants, transaction costs and foreign exchange gain (loss) have been combined as other income (expenses).

These financial statements were approved and authorized for issue by the board of directors of the Company (the "Board") on August 1, 2024.

### 3. BUSINESS ACQUISITIONS

On March 28, 2023, the Company announced that it had entered into an agreement with Lightbox Enterprises Ltd. ("Lightbox") pursuant to which, in connection with Lightbox's proceedings under the *Companies' Creditors Arrangement Act* (Canada), the Company (or its designee) would acquire the assets comprising four cannabis retail stores operating under the Dutch Love cannabis retail banner (the "Lightbox Transaction"). The Lightbox Transaction consideration was comprised of (i) approximately \$1.7 million in cash, (ii) the cancellation of approximately \$3.0 million in debt owing by Lightbox to the Company, and (iii) the issuance of 1.1 million SNDL common shares valued at \$3.7 million.

On April 1, 2024, the Company announced that it had agreed to assign its rights to own or operate the four cannabis retail stores to Nova. On May 8, 2024, the Company completed the Lightbox Transaction and the assignment of its rights to own or operate the four cannabis retail stores to Nova.

The Company has engaged independent valuation experts to assist in determining the fair value of certain assets acquired and liabilities assumed and related deferred income tax impacts. The purchase price allocation is not final as the Company is continuing to obtain and verify information required to determine the fair value of certain assets and liabilities and the amount of deferred income taxes, if any, arising on their recognition.

Due to the inherent complexity associated with valuations and the timing of the acquisition, the amounts below are provisional and subject to adjustment. The fair value of consideration paid was as follows:

Cash	1,654
Issuance of common shares	3,693
Extinguishment of convertible debenture	3,000
	<b>8,347</b>

The preliminary fair value of the assets and liabilities acquired was as follows:

Inventory	154
Right of use assets	2,828
Property, plant and equipment	964
Intangible assets	1,959
Lease liabilities	(2,828)
Total identifiable net assets acquired	3,077
Goodwill	5,270
	<b>8,347</b>

Goodwill is attributable to expansion of the store network and the Value Buds brand growth in British Columbia.

As new information is obtained within one year of the date of acquisition, about facts and circumstances that existed at the date of acquisition, the accounting for the acquisition will be revised.

The financial statements incorporate the operations of Lightbox commencing May 9, 2024. During the period May 9, 2024 to June 30, 2024 the Company recorded revenues of \$1.2 million and net loss of \$0.1 million from the Lightbox operations. Had the Lightbox Transaction closed on January 1, 2024, management estimates that for the period January 1, 2024, to May 8, 2024, revenue would have increased by \$3.1 million and net earnings would have increased by \$0.2 million. In determining these amounts, management assumes the fair values on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2024.

The Company incurred costs related to the Lightbox Transaction of \$0.1 million which have been included in transaction costs.



**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**4. SEGMENT INFORMATION**

The Company's reportable segments are organized by business line and are comprised of four reportable segments: liquor retail, cannabis retail, cannabis operations, and investments.

Liquor retail includes the sale of wines, beers and spirits through owned liquor stores. Cannabis retail includes the private sale of adult-use cannabis through owned and franchise retail cannabis stores. Cannabis operations include the cultivation, distribution and sale of cannabis for the adult-use and medical markets domestically and for export, and providing proprietary cannabis processing services, in addition to product development, manufacturing, and commercialization of cannabis consumer packaged goods. Investments include the deployment of capital to investment opportunities. Certain overhead expenses not directly attributable to any operating segment are reported as "Corporate".

	Liquor Retail	Cannabis Retail	Cannabis Operations	Investments <sup>(1)</sup>	Corporate	Total
<b>As at June 30, 2024</b>						
Total assets	308,295	212,046	201,648	732,094	19,972	1,474,055
<b>Six months ended June 30, 2024</b>						
Net revenue <sup>(2)</sup>	256,614	147,375	47,371	—	(25,483)	425,877
Gross profit	64,519	37,627	6,418	—	—	108,564
Operating income (loss)	10,661	2,860	(1,025)	21,535	(43,242)	(9,211)
Earnings (loss) before income tax	8,414	1,309	(2,068)	20,960	(42,515)	(13,900)
<b>Three months ended June 30, 2024</b>						
Net revenue <sup>(2)</sup>	140,560	76,069	24,976	—	(13,478)	228,127
Gross profit	35,713	19,268	3,183	—	—	58,164
Operating income (loss)	8,481	3,902	(1,916)	8,456	(23,757)	(4,834)
Earnings (loss) before income tax	7,450	3,157	(2,766)	7,881	(21,973)	(6,251)

(1) Total assets include cash and cash equivalents.

(2) The Company has eliminated \$25.5 million for the six months ended June 30, 2024 and \$13.5 million for the three months ended June 30, 2024 of cannabis operations revenue and equal cost of sales associated with sales to provincial boards that are expected to be subsequently repurchased by the Company's licensed retail subsidiaries for resale, at which point the full retail sales revenue will be recognized. The elimination was recorded in the Corporate segment.

	Liquor Retail	Cannabis Retail <sup>(1)</sup>	Cannabis Operations <sup>(2)</sup>	Investments <sup>(3)</sup>	Corporate	Total
<b>As at December 31, 2023</b>						
Total assets	320,239	206,988	208,295	717,751	19,891	1,473,164
<b>Six months ended June 30, 2023</b>						
Net revenue <sup>(4)</sup>	267,601	139,289	40,073	—	(24,002)	422,961
Gross profit	61,627	33,599	(10,752)	—	—	84,474
Operating income (loss)	6,257	2,257	(33,038)	7,077	(44,323)	(61,770)
Earnings (loss) before income tax	3,751	477	(32,951)	3,453	(39,496)	(64,766)
<b>Three months ended June 30, 2023</b>						
Net revenue <sup>(4)</sup>	151,690	71,881	20,940	—	(12,595)	231,916
Gross profit	35,360	17,780	(1,207)	—	—	51,933
Operating income (loss)	8,207	2,335	(14,206)	(1,660)	(24,242)	(29,566)
Earnings (loss) before income tax	6,714	1,221	(13,831)	(1,917)	(22,175)	(29,988)

(1) Cannabis retail includes the operations of Superette Inc. for the period February 8, 2023 to June 30, 2023.

(2) Cannabis operations includes the operations of The Valens Company Inc. for the period January 18, 2023 to June 30, 2023.

(3) Total assets include cash and cash equivalents.

(4) The Company has eliminated \$24.0 million for the six months ended June 30, 2023 and \$12.6 million for the three months ended June 30, 2023 of cannabis operations revenue and equal cost of sales associated with sales to provincial boards that are expected to be subsequently repurchased by the Company's licensed retail subsidiaries for resale, at which point the full retail sales revenue will be recognized. The elimination was recorded in the Corporate segment.

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**GEOGRAPHICAL DISCLOSURE**

As at June 30, 2024, the Company had non-current assets related to credit investments in the United States of \$571.2 million (December 31, 2023 – \$538.3 million). For the six months ended June 30, 2024, share of profit of equity-accounted investees related to operations in the United States was a gain of \$14.4 million (six months ended June 30, 2023 – gain of \$8.6 million). All other non-current assets relate to operations in Canada and revenues from external customers relate to operations in Canada.

**5. BIOLOGICAL ASSETS**

The Company's biological assets consist of cannabis plants in various stages of vegetation, including plants which have not been harvested. The change in carrying value of biological assets is as follows:

As at	June 30, 2024	December 31, 2023
Balance, beginning of year	429	3,477
Increase in biological assets due to capitalized costs	2,775	21,501
Net change in fair value of biological assets	(568)	(7,936)
Transferred to inventory upon harvest	(1,768)	(16,613)
Balance, end of period	868	429

Biological assets are valued in accordance with International Accounting Standard 41 – Agriculture and are presented at their fair value less costs to sell up to the point of harvest. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price less costs to produce and sell per gram.

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

The Company estimates the harvest yields for cannabis at various stages of growth. As at June 30, 2024, it is estimated that the Company's biological assets will yield approximately 3,480 kilograms (December 31, 2023 – 2,230 kilograms) of dry cannabis when harvested. During the six months ended June 30, 2024, the Company harvested 3,453 kilograms of dry cannabis (six months ended June 30, 2023 – 10,865 kilograms).

**6. INVENTORY**

As at	June 30, 2024	December 31, 2023
Retail liquor	84,909	83,923
Retail cannabis	20,430	19,516
Harvested cannabis		
Raw materials, packaging and components	9,849	7,781
Extracted cannabis & hemp oils	14,695	11,989
Work-in-progress	—	995
Finished goods	3,029	4,856
	132,912	129,060

During the three and six months ended June 30, 2024, inventories of \$169.2 million and \$315.1 million were recognized in cost of sales as an expense (three and six months ended June 30, 2023 – \$176.3 million and \$323.1 million).

During the three and six months ended June 30, 2024, the Company recognized inventory write downs of \$1.1 million and \$3.0 million (three and six months ended June 30, 2023 – \$4.3 million and \$13.5 million).

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**7. ASSETS HELD FOR SALE**

At June 30, 2024, assets held for sale were measured at their fair value less costs to sell and comprised of the following:

As at	June 30, 2024	December 31, 2023
Olds facility	18,800	—
Stellarton facility	—	6,375
Extraction equipment	251	—
	<b>19,051</b>	<b>6,375</b>

The Olds facility is located in Olds, Alberta, and its primary purpose was the cultivation of cannabis for the adult-use cannabis market. Management is committed to a plan to sell the Olds facility and the asset is available for immediate sale.

The Stellarton facility is located in Stellarton, Nova Scotia, and its primary purpose was the packaging and processing of value added and derivative products for the adult-use cannabis market. The Stellarton facility was acquired as part of the Zenabis acquisition. During the six months ended June 30, 2024, the Company concluded that the Stellarton facility no longer met certain criteria for assets held for sale due to secondary commercial real estate market conditions in Nova Scotia. The facility was reclassified to property, plant and equipment and a \$1.3 million impairment loss was recognized.

**8. RIGHT OF USE ASSETS**

<b>Cost</b>	
Balance at December 31, 2023	199,032
Acquisition (note 3)	2,828
Additions	826
Renewals, remeasurements and dispositions	3,019
<b>Balance at June 30, 2024</b>	<b>205,705</b>
<b>Accumulated depreciation and impairment</b>	
Balance at December 31, 2023	69,353
Depreciation	15,697
Impairment	1,182
<b>Balance at June 30, 2024</b>	<b>86,232</b>
<b>Net book value</b>	
Balance at December 31, 2023	129,679
<b>Balance at June 30, 2024</b>	<b>119,473</b>

As at June 30, 2024, the Company recorded impairment losses of right of use assets of \$1.2 million, \$1.6 million for the three months ended March 31, 2024 and a reversal of \$0.4 million for the three months ended June 30, 2024 (June 30, 2023 – nil) with \$1.5 million (\$1.8 million for the three months ended March 31, 2024 and a reversal of \$0.3 million for the three months ended June 30, 2024) in the cannabis retail reporting segment and an impairment reversal of \$0.3 million (\$0.2 million reversal for the three months ended March 31, 2024 and \$0.1 million reversal for the three months ended June 30, 2024) in the liquor retail reporting segment. Refer to note 9 for the significant assumptions applied in the impairment test.

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**9. PROPERTY, PLANT AND EQUIPMENT**

	Land	Production facilities	Leasehold improvements	Equipment	Construction in progress	Total
<b>Cost</b>						
Balance at December 31, 2023	20,953	179,156	76,899	99,164	8,674	384,846
Acquisition (note 3)	—	—	964	—	—	964
Additions	—	—	454	2,870	1,721	5,045
Reclass to assets held for sale	(11,834)	(143,540)	—	(411)	(6,013)	(161,798)
Dispositions	—	—	(559)	(1,594)	(90)	(2,243)
<b>Balance at June 30, 2024</b>	<b>9,119</b>	<b>35,616</b>	<b>77,758</b>	<b>100,029</b>	<b>4,292</b>	<b>226,814</b>
<b>Accumulated depreciation and impairment</b>						
Balance at December 31, 2023	—	145,420	28,448	52,241	5,821	231,930
Depreciation	—	637	5,480	5,716	—	11,833
Impairment	—	—	(53)	77	—	24
Reclass to assets held for sale	—	(141,811)	—	(165)	(5,821)	(147,797)
Dispositions	—	—	(559)	(979)	—	(1,538)
<b>Balance at June 30, 2024</b>	<b>—</b>	<b>4,246</b>	<b>33,316</b>	<b>56,890</b>	<b>—</b>	<b>94,452</b>
<b>Net book value</b>						
Balance at December 31, 2023	20,953	33,736	48,451	46,923	2,853	152,916
<b>Balance at June 30, 2024</b>	<b>9,119</b>	<b>31,370</b>	<b>44,442</b>	<b>43,139</b>	<b>4,292</b>	<b>132,362</b>

During the six months ended June 30, 2024, depreciation expense of \$1.0 million was capitalized to biological assets and inventory (six months ended June 30, 2023 – \$3.0 million).

During the six months ended June 30, 2024, the Company determined that indicators of impairment existed relating to certain cannabis retail stores due to underperforming store level operating results as well as indicators of impairment reversal relating to certain previously impaired liquor retail stores now overperforming store level operating results. For impairment testing of retail property, plant and equipment and right of use assets, the Company determined that a cash generating unit (“CGU”) was defined as each individual retail store. The Company completed impairment tests for each CGU determined to have an indicator of potential impairment or impairment reversal using a discounted cash flow model. The recoverable amounts for each CGU were based on the higher of its estimated value in use and fair value less costs of disposal using Level 3 inputs. The significant assumptions applied in the impairment test are described below:

- **Cash flows:** Projected future sales and earnings for cash flows are based on actual operating results and operating forecasts. Management determined forecasted growth rates of sales based on past performance, expectations of future performance for each location and industry averages. Expenditures were based upon a combination of historical percentages of revenue, sales growth rates, forecasted inflation rates and contractual lease payments. The duration of the cash flow projections for individual CGUs varies based on the remaining lease term of the CGU.
- **Discount rate:** A pre-tax discount rate range of 12.0% – 13.8% was estimated and is based on market assessments of the time value of money and CGU specific risks. To determine a pre-tax discount rate, a weighted average cost of capital was used as a reference point which is based on market capital structure of debt, risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a review of betas of comparable publicly traded companies, the Company's historical data, an unsystematic risk premium and after-tax cost of debt based on corporate bond yields.

As at June 30, 2024, the Company recorded impairment losses of property, plant and equipment of \$0.56 million, \$0.77 million for the three months ended March 31, 2024 and a reversal of \$0.21 million for the three months ended June 30, 2024 (June 30, 2023 – \$0.5 million) in the cannabis retail reporting segment and an impairment reversal of \$0.54 million, \$0.76 million reversal for the three months ended March 31, 2024 and impairment of \$0.22 million for

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

the three months ended June 30, 2024 (June 30, 2023 – nil) in the liquor retail reporting segment. The Company also recorded impairment losses and impairment reversals of right of use assets (note 8).

**10. NET INVESTMENT IN SUBLEASES**

	June 30, 2024	December 31, 2023
Balance, beginning of year	21,366	23,319
Additions	—	832
Finance income	386	857
Rents recovered (payments made directly to landlords)	(1,800)	(4,004)
Dispositions and remeasurements	(561)	362
Balance, end of period	19,391	21,366
Current portion	2,819	2,970
Long-term	16,572	18,396

Net investment in subleases represent leased retail stores that have been subleased to certain franchise partners. These subleases are classified as a finance lease as the sublease terms are for the remaining term of the head lease.

**11. INTANGIBLE ASSETS**

	Brands and trademarks	Franchise agreements	Software	Retail Licenses	Total
<b>Cost</b>					
Balance at December 31, 2023	81,900	10,000	5,556	750	98,206
Acquisition (note 3)	—	—	—	1,959	1,959
Additions	—	—	32	—	32
<b>Balance at June 30, 2024</b>	<b>81,900</b>	<b>10,000</b>	<b>5,588</b>	<b>2,709</b>	<b>100,197</b>
<b>Accumulated amortization and impairment</b>					
Balance at December 31, 2023	20,447	3,061	1,549	—	25,057
Amortization	86	623	470	—	1,179
<b>Balance at June 30, 2024</b>	<b>20,533</b>	<b>3,684</b>	<b>2,019</b>	<b>—</b>	<b>26,236</b>
<b>Net book value</b>					
Balance at December 31, 2023	61,453	6,939	4,007	750	73,149
<b>Balance at June 30, 2024</b>	<b>61,367</b>	<b>6,316</b>	<b>3,569</b>	<b>2,709</b>	<b>73,961</b>

**12. INVESTMENTS**

As at	June 30, 2024	December 31, 2023
Investments at amortized cost	20,187	24,405
Investments at fair value through profit and loss ("FVTPL")	9,162	8,655
	29,349	33,060
Current portion	28,514	3,400
Long-term	835	29,660

**INVESTMENTS AT AMORTIZED COST**

On April 1, 2024, the Company and Indiva Limited ("Indiva") entered into an amendment to the Second Amended and Restated Promissory Note dated August 28, 2023, whereby Indiva repaid \$2.0 million of principal and certain financial and reporting conditions were amended.

On June 12, 2024, the Company agreed to lend Indiva up to an additional \$2.4 million as a debtor-in-possession loan, of which \$0.9 million was drawn upon as of June 30, 2024.

On July 5, 2024, the Company announced that it had entered into a purchase agreement (the "Bid Agreement") with Indiva and its direct and indirect subsidiaries (collectively with Indiva, the "Indiva Group"), pursuant to which the Company offered to purchase all of the issued and outstanding shares of Indiva and the business and assets of the Indiva Group (collectively, the "Indiva Assets") for consideration comprising of a credit bid of all of the indebtedness of the Indiva Group owing to the Company, the retention of certain liabilities of the Indiva Group, and cash payments sufficient to repay certain priority indebtedness of the Indiva Group and costs associated with the Indiva Group's proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA Proceedings").

The Bid Agreement was entered into in the context of the CCAA Proceedings, as part of a sales process where the Indiva Assets will be marketed to prospective purchasers (the "Sale Process") and, accordingly, is subject to approval by the court overseeing the CCAA Proceedings and to potential alternative bids submitted pursuant to the Sale Process.

**INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS**

On March 7, 2024, the Company provided notice to Delta-9 Cannabis Inc. ("Delta 9") regarding non-compliance with certain covenants and conditions related to the Second Waiver that had been granted on September 9, 2022.

On July 5, 2024, the Company announced that it had completed the acquisition (the "Debt Acquisition") of the principal indebtedness (the "Purchased Indebtedness") of Delta 9 from Connect First and Servus Credit Union Ltd. for a purchase price of \$28.1 million pursuant to a purchase and sale of indebtedness agreement dated July 5, 2024. As a result of the Debt Acquisition, the Company became Delta 9's senior secured creditor with a first priority security interest in all of the assets of Delta 9 and certain Delta 9 subsidiaries. As of July 5, 2024, the Purchased Indebtedness increased Delta 9's total indebtedness owing to the Company to \$40.7 million.

**13. EQUITY-ACCOUNTED INVESTEEES**

As at	June 30, 2024	December 31, 2023
Interest in joint venture	571,178	538,331

SunStream is a joint venture in which the Company has a 50% ownership interest. SunStream is a private company, incorporated under the *Business Corporations Act* (Alberta), which provides growth capital that pursues indirect investment and financial services opportunities in the cannabis sector, as well as other investment opportunities.

SunStream is structured separately from the Company, and the Company has a residual interest in the net assets of SunStream. Accordingly, the Company has classified its interest in SunStream as a joint venture, which is accounted for using the equity-method.

The current investment portfolio of SunStream is comprised of secured debt, hybrid debt and derivative instruments with United States based cannabis businesses. These investments are recorded at fair value each reporting period with any changes in fair value recorded through profit or loss. SunStream actively monitors these investments for changes in credit risk, market risk and other risks specific to each investment.

**SNDL Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

The following table summarizes the carrying amount of the Company's interest in the joint venture:

	Carrying amount
Balance at December 31, 2023	538,331
Capital contributions (refunds)	(168)
Share of net earnings	14,400
Share of other comprehensive income (loss) (taxes at 23%)	18,615
<b>Balance at June 30, 2024</b>	<b>571,178</b>

SunStream is a related party due to it being classified as a joint venture of the Company. Capital contributions to the joint venture and distributions received from the joint venture are classified as related party transactions.

The following table summarizes the financial information of SunStream:

As at	June 30, 2024	June 30, 2023
Current assets (including cash and cash equivalents - 2024: \$0.4 million, 2023: \$2.0 million)	1,045	8,720
Non-current assets	565,911	520,211
Current liabilities	(332)	(662)
Non-current liabilities	—	—
Net assets (liabilities) (100%)	566,624	528,269
Six months ended June 30	2024	2023
Revenue	18,418	12,280
Profit from operations	14,765	8,933
Other comprehensive income (loss)	18,615	(12,006)
Total comprehensive income (loss)	33,364	(3,026)

**14. DERIVATIVE WARRANTS**

	June 30, 2024	December 31, 2023
Balance, beginning of year	4,400	11,002
Change in fair value recognized in profit or loss	(500)	(6,602)
Balance, end of period	3,900	4,400

During the six months ended June 30, 2024, the 50,000 remaining unsecured convertible note warrants expired. The unsecured convertible notes warrants were issued in 2020 as part of the Company's debt restructuring transactions. A total of 1.45 million derivative warrants were issued in such transactions, of which 1.4 million were exercised during the year ended December 31, 2020.

The following table summarizes outstanding derivative warrants as at June 30, 2024:

	Exercise price (US\$)	Number of warrants	Weighted average contractual life
2020 Series A Warrants <sup>(1)</sup>	1.77	50,000	1.1
New Warrants	2.29	9,833,333	0.2
		<b>9,883,333</b>	<b>0.2</b>

(1) The conversion or exercise price, as applicable, is subject to full ratchet antidilution protection upon any subsequent transaction at a price lower than the price then in effect and standard adjustments in the event of any share split, share dividend, share combination, recapitalization or other similar transaction. If the Company issues, sells or enters into any agreement to issue or sell, any variable rate securities, the investors have the additional right to substitute the variable price (or formula) of such securities for the conversion or exercise price, as applicable.

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**15. LEASE LIABILITIES**

	June 30, 2024	December 31, 2023
Balance, beginning of year	167,029	169,831
Acquisitions	2,828	4,336
Additions	826	4,362
Lease payments	(19,022)	(45,017)
Renewals, remeasurements and dispositions	2,096	25,505
Tenant inducement allowances received	—	91
Accretion expense	3,855	7,921
Balance, end of period	157,612	167,029
Current portion	32,618	30,537
Long-term	124,994	136,492

The following table presents the contractual undiscounted cash flows, excluding periods covered by lessee lease extension options that have been included in the determination of the lease term, related to the Company's lease liabilities as at June 30, 2024:

	June 30, 2024
Less than one year	40,564
One to three years	68,477
Three to five years	45,837
Thereafter	27,763
Minimum lease payments	182,641

**16. SHARE CAPITAL AND WARRANTS****A) AUTHORIZED**

The authorized capital of the Company consists of an unlimited number of voting common shares and preferred shares with no par value.

**B) ISSUED AND OUTSTANDING**

		June 30, 2024		December 31, 2023	
	Note	Number of Shares	Carrying Amount	Number of Shares	Carrying Amount
Balance, beginning of year		262,775,853	2,375,950	235,194,236	2,292,810
Share issuances		96,399	164	931,740	1,900
Share issuance costs		—	(57)	—	—
Share repurchases		—	—	(546,700)	(5,344)
Acquisitions	3	1,099,744	3,693	27,605,782	83,953
Shares acquired and cancelled		—	—	(2,261,778)	(6,879)
Employee awards exercised		312,844	1,003	1,852,573	9,510
Balance, end of period		264,284,840	2,380,753	262,775,853	2,375,950

During the six months ended June 30, 2024, the Company issued 1.1 million common shares as part of the consideration for the Lightbox Transaction (note 3) and 0.1 million common shares related to the acquisition of certain franchise stores in Ontario.



**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**C) COMMON SHARE PURCHASE WARRANTS**

	Number of Warrants	Carrying Amount
Balance at December 31, 2023	308,612	2,260
Warrants expired	(190,212)	(1,593)
Balance at June 30, 2024	118,400	667

During the six months ended June 30, 2024, the remaining Inner Spirit Holdings Ltd. warrants that comprised the contingent consideration from the acquisition expired.

The following table summarizes outstanding warrants as at June 30, 2024:

Warrants outstanding and exercisable			
Issued in relation to	Weighted average exercise price	Number of warrants	Weighted average contractual remaining life (years)
Financial services	45.98	54,400	5.1
Acquisition of intellectual property	9.40	64,000	1.5
	<b>\$ 26.21</b>	<b>118,400</b>	<b>3.1</b>

**17. SHARE-BASED COMPENSATION**

The Company has a number of share-based compensation plans which include simple and performance warrants, stock options, restricted share units ("RSUs") and deferred share units ("DSUs"). Subsequent to the Company's initial public offering, the Company established the stock option, RSU and DSU plans to replace the granting of simple warrants and performance warrants.

The components of share-based compensation expense are as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Equity-settled expense				
Simple warrants (A)	—	2	—	(335)
Stock options (B)	1	3	1	(2)
Restricted share units <sup>(1)</sup> (C)	4,310	3,485	6,751	6,109
Cash-settled expense				
Deferred share units <sup>(1)(2)</sup> (D)	572	403	2,974	330
	<b>4,883</b>	<b>3,893</b>	<b>9,726</b>	<b>6,102</b>

(1) For the six months ended June 30, 2024, the Company recognized share-based compensation expense under Nova's RSU plan of \$6 (2023 — \$21) and share-based compensation expense under Nova's DSU plan of \$903 (2023 — \$201).

(2) Cash-settled DSUs are accounted for as a liability and are measured at fair value based on the market value of the Company's common shares at each period end. Fluctuations in the fair value are recognized during the period in which they occur.

**EQUITY-SETTLED PLANS****A) SIMPLE AND PERFORMANCE WARRANTS**

The Company issued simple warrants and performance warrants to employees, directors and others at the discretion of the Board. Simple and performance warrants granted generally vest annually over a three-year period, simple warrants expire five years after the grant date and performance warrants expire five years after vesting criteria met.

**SNDL Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

The following table summarizes changes in the simple and performance warrants during the six months ended June 30, 2024:

	Simple warrants outstanding	Weighted average exercise price	Performance warrants outstanding	Weighted average exercise price
Balance at December 31, 2023	66,700	\$ 39.77	54,400	\$ 38.62
Expired	(8,780)	6.25	—	0.00
Balance at June 30, 2024	<b>57,920</b>	<b>\$ 44.85</b>	<b>54,400</b>	<b>\$ 38.62</b>

The following table summarizes outstanding simple and performance warrants as at June 30, 2024:

Warrants outstanding				Warrants exercisable		
Range of exercise prices	Number of warrants	Weighted average exercise price	Weighted average contractual life (years)	Number of warrants	Weighted average exercise price	Weighted average contractual life (years)
<b>Simple warrants</b>						
\$6.25 - \$9.38	27,520	8.07	0.57	27,520	8.07	0.57
\$29.69 - \$45.31	7,200	34.90	1.32	7,200	34.90	1.32
\$62.50 - \$93.75	17,280	64.81	2.39	17,280	64.81	2.39
\$125.00 - \$312.50	5,920	169.62	2.94	5,920	169.62	2.94
	<b>57,920</b>	<b>\$ 44.85</b>	<b>1.45</b>	<b>57,920</b>	<b>\$ 44.85</b>	<b>1.45</b>
<b>Performance warrants</b>						
\$6.25 - \$9.38	19,200	6.25	0.69	19,200	6.25	0.69
\$29.69 - \$45.31	23,200	32.60	0.77	23,200	32.60	0.77
\$62.50 - \$93.75	9,334	77.68	n/a	1,334	93.75	1.67
\$125.00 - \$218.75	2,666	187.50	n/a	—	—	n/a
	<b>54,400</b>	<b>\$ 38.62</b>	<b>n/a</b>	<b>43,734</b>	<b>\$ 22.90</b>	<b>0.76</b>

**B) STOCK OPTIONS**

The Company issues stock options to employees and others at the discretion of the Board. Stock options granted generally vest annually over a three-year period and generally expire ten years after the grant date.

The following table summarizes changes in stock options during the six months ended June 30, 2024:

	Stock options outstanding	Weighted average exercise price
Balance at December 31, 2023	853,705	\$ 17.92
Forfeited	(89,331)	18.03
Expired	(83,350)	37.89
Balance at June 30, 2024	<b>681,024</b>	<b>\$ 15.46</b>

**SNDL Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

The following table summarizes outstanding stock options as at June 30, 2024:

	Stock options outstanding		Stock options exercisable	
Exercise prices	Number of options	Weighted average contractual life (years)	Number of options	Weighted average contractual life (years)
\$11.50	10,000	5.91	10,000	5.91
\$11.90	8,160	5.99	8,160	5.99
\$31.50	3,000	4.23	2,700	4.23
\$11.79 - \$38.88	659,864	2.08	659,864	2.08
	<b>681,024</b>	<b>2.19</b>	<b>680,724</b>	<b>2.19</b>

**C) RESTRICTED SHARE UNITS**

RSUs are granted to employees and the vesting requirements and maximum term are at the discretion of the Board. RSUs are exchangeable for an equal number of common shares.

The following table summarizes changes in RSUs during the six months ended June 30, 2024:

	RSUs outstanding
Balance at December 31, 2023	8,629,716
Granted	5,461,726
Forfeited	(249,759)
Exercised	(349,093)
Balance at June 30, 2024	<b>13,492,590</b>

At June 30, 2024, no RSUs were vested or exercisable.

**CASH-SETTLED PLANS****D) DEFERRED SHARE UNITS**

DSUs are granted to directors and generally vest in equal instalments over one year. DSUs are settled by making a cash payment to the holder equal to the fair value of the Company's common shares calculated at the date of such payment.

As at June 30, 2024, the Company recognized a liability of \$6.0 million relating to the fair value of cash-settled DSUs (December 31, 2023 – \$3.9 million). The liability is included as a non-current liability within other liabilities.

The following table summarizes changes in DSUs during the six months ended June 30, 2024:

	DSUs outstanding
Balance at December 31, 2023	2,398,333
Granted	345,840
Balance at June 30, 2024	<b>2,744,173</b>

At June 30, 2024, 1.8 million DSUs were vested but none were exercisable. At December 31, 2023, 1.5 million DSUs were vested but none were exercisable. DSUs can only be exercised once a director ceases to be on the Board.

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**18. NET REVENUE**

Liquor retail revenue is derived from the sale of wines, beers and spirits to customers and proprietary licensing. Cannabis retail revenue is derived from retail cannabis sales to customers, franchise revenue consisting of royalty and franchise fee revenue, and other revenue consisting of millwork, supply and accessories revenue and proprietary licensing. Cannabis operations revenue is derived from contracts with customers and is comprised of sales to provincial boards that sell cannabis through their respective distribution models, sales to licensed producers for further processing, provision of proprietary cannabis processing services, product development, manufacturing and commercialization of cannabis consumer products and sales to medical customers.

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Liquor retail revenue				
Retail	140,223	151,690	256,027	267,601
Other	337	—	587	—
Liquor retail revenue	140,560	151,690	256,614	267,601
Cannabis retail revenue				
Retail	70,740	67,423	137,092	131,523
Proprietary licensing	3,847	2,583	7,349	4,043
Franchise	1,482	1,799	2,934	3,566
Other	—	76	—	157
Cannabis retail revenue	76,069	71,881	147,375	139,289
Cannabis operations revenue				
Provincial boards	17,689	19,119	30,437	33,841
Wholesale	7,609	1,780	15,135	4,929
Analytical testing and other	334	360	658	662
Cannabis operations revenue	25,632	21,259	46,230	39,432
Gross revenue	242,261	244,830	450,219	446,322
Excise taxes	14,134	12,914	24,342	23,361
Net revenue	228,127	231,916	425,877	422,961

**19. INVESTMENT INCOME (LOSS)**

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Interest income from investments at amortized cost	733	980	1,614	1,986
Interest and fee income from investments at FVTPL	449	250	1,499	874
Interest income from cash	2,036	2,191	4,196	4,772
Gains (losses) on marketable securities	(14)	(4,020)	(69)	(9,189)
	3,204	(599)	7,240	(1,557)

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**20. OTHER INCOME (EXPENSES)**

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Finance costs (income)				
Accretion on lease liabilities	1,933	2,293	3,887	4,239
Change in fair value of investments at FVTPL	575	257	575	3,625
Financial guarantee liability recovery	8	—	(19)	(139)
Other finance (recoveries) costs	(169)	123	(275)	341
Interest income	(190)	(215)	(386)	(435)
Total finance costs	2,157	2,458	3,782	7,631
Change in fair value of derivative warrants (note 14)	(1,800)	(2,240)	(500)	(7,042)
Transaction costs	857	173	995	2,213
Foreign exchange loss	203	31	412	194
	1,417	422	4,689	2,996

**21. LOSS PER SHARE**

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Weighted average shares outstanding (000s)				
Basic and diluted <sup>(1)</sup>	263,832	260,228	263,400	257,905
<b>Continuing operations</b>				
Net loss attributable to owners of the Company	(5,772)	(29,350)	(8,326)	(63,553)
Per share - basic and diluted	\$ (0.02)	\$ (0.11)	\$ (0.03)	\$ (0.24)
<b>Discontinued operations</b>				
Net loss attributable to owners of the Company	—	(3,170)	—	(4,535)
Per share - basic and diluted	— \$	(0.01) \$	— \$	(0.02)
Net loss attributable to owners of the Company	(5,772)	(32,520)	(8,326)	(68,088)
Per share - basic and diluted	\$ (0.02)	\$ (0.12)	\$ (0.03)	\$ (0.26)

(1) For the six months ended June 30, 2024, there were 0.1 million equity classified warrants, 9.9 million derivative warrants, 0.1 million simple warrants, 0.1 million performance warrants, 0.7 million stock options and 13.5 million RSUs that were excluded from the calculation as the impact was anti-dilutive (six months ended June 30, 2023– 0.3 million equity classified warrants, 9.9 million derivative warrants, 0.1 million simple warrants, 0.1 million performance warrants, 0.03 million stock options and 8.7 million RSUs).

**22. FINANCIAL INSTRUMENTS**

The financial instruments recognized on the consolidated statement of financial position are comprised of cash and cash equivalents, restricted cash, marketable securities, accounts receivable, investments at amortized cost, investments at FVTPL, accounts payable and accrued liabilities and derivative warrants.

**FAIR VALUE**

The carrying value of cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term nature of the instruments. The carrying value of

**SNDL Inc.****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

investments at amortized cost approximate their fair value as the fixed interest rates approximate market rates for comparable transactions.

Fair value measurements of marketable securities, investments at FVTPL and derivative warrants are as follows:

	Carrying amount	Fair value measurements using		
		Level 1	Level 2	Level 3
<b>June 30, 2024</b>				
Recurring measurements:				
Financial assets				
Marketable securities	156	156	—	—
Investments at FVTPL	9,162	—	—	9,162
Financial liabilities				
Derivative warrants <sup>(1)</sup>	3,900	—	—	3,900
	Carrying amount	Fair value measurements using		
		Level 1	Level 2	Level 3
<b>December 31, 2023</b>				
Recurring measurements:				
Financial assets				
Marketable securities	225	225	—	—
Investments at FVTPL	8,655	—	—	8,655
Financial liabilities				
Derivative warrants <sup>(1)</sup>	4,400	—	—	4,400

(1) The carrying amount is an estimate of the fair value of the derivative warrants and is presented as a current liability. The Company has no cash obligation with respect to the derivative warrants, rather it will deliver common shares if and when warrants are exercised.

At June 30, 2024, a 10% change in the material assumptions would change the estimated fair value of derivative warrant liabilities by approximately \$0.5 million.

There were no transfers between Levels 1, 2 and 3 inputs during the period.

**23. RELATED PARTIES**

The Company entered into the following related party transactions during the periods noted, in addition to those disclosed in note 13 relating to the Company's joint venture.

A member of key management personnel jointly controls a company that owns property leased to SNDL for one of its retail liquor stores. The lease term is from November 1, 2017 to October 31, 2027 and includes extension terms from November 1, 2027 to October 31, 2032 and November 1, 2032 to October 31, 2037. Monthly rent for the location includes base rent, common area costs and sign rent. The rent amounts are subject to increases in accordance with the executed lease agreement. For the six months ended June 30, 2024, the Company paid \$83.4 thousand in total rent with respect to this lease (six months ended June 30, 2023 — \$83.4 thousand).

**Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024

(Unaudited, expressed in thousands of Canadian dollars, except where otherwise noted)

**24. COMMITMENTS AND CONTINGENCIES**

The following table summarizes contractual commitments at June 30, 2024:

	Less than one year	One to three years	Three to five years	Thereafter	Total
Accounts payable and accrued liabilities	62,389	—	—	—	62,389
Financial guarantee liability	—	248	—	—	248
Balance, end of year	<b>62,389</b>	<b>248</b>	<b>—</b>	<b>—</b>	<b>62,637</b>

**A) COMMITMENTS**

The Company has entered into certain supply agreements to provide dried cannabis and cannabis products to third parties. The contracts require the provision of various amounts of dried cannabis on or before certain dates. Should the Company not deliver the product in the agreed timeframe, financial penalties apply which may be paid either in product in-kind or cash. Under these agreements, the Company has accrued financial penalties payable as at June 30, 2024 of \$2.5 million (December 31, 2023 – \$2.5 million). The corresponding expenses were recognized during the years ended December 31, 2019 (\$1.5 million) and December 31, 2021 (\$1.0 million).

**B) CONTINGENCIES**

From time to time, the Company and its subsidiaries are or may become involved in various legal claims and actions which arise in the ordinary course of their business and operations. While the outcome of any such claim or action is inherently uncertain, after consulting with counsel, the Company believes that the losses that may result, if any, will not be material to the financial statements.