

MEDIPHARM LABS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

To the Shareholders of MediPharm Labs Corp.:

Opinion

We have audited the consolidated financial statements of MediPharm Labs Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including 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 as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits 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 audits 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.

Key Audit Matters

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

We have determined the matter described below to be the key audit matters to be communicated in our report.

Inventory accuracy and valuation

Key Audit Matter Description

As at December 31, 2024, the Company held inventory of \$8,563. The Company discloses its accounting policies with relation to inventory in Note 3, and the significant components of inventory in Note 8 to the consolidated financial statements. Auditing the cost and net realizable value of inventory requires a high degree of management judgment. There are a variety of inputs and source data used within management's inventory model that increase the extent of audit effort, including assessing the allocation of inputs and related production overheads, expenditures related to the manufacturing process, and the movement of inventory to assess its net realizable value. A high degree of auditor effort was required to evaluate the judgments made by management in determining the costs and estimated net realizable value of inventory.

Audit Response

We responded to this matter by performing audit procedures in relation to the cost and net realizable value of inventory. Our audit work in relation to this included, but was not restricted to, the following:

- We performed a detailed review of the cost components included in the inventory valuation and verified that costs are accurately and appropriately allocated;
- We selected a sample of purchased inventory items and traced back to source documents to confirm costs;
- We obtained recent sales invoices for a sample of inventory items to compare the selling price with the recorded cost to ensure appropriate measurement of lower of cost and net realizable value;
- We evaluated the methodology used by management to estimate the allowance for obsolescence; and
- We tested the accuracy of the aging analysis of inventory and ensure that the slow-moving or obsolete items are identified and appropriately provided for.

Other Information

Management is responsible for the other information. The other information comprises 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 audits of the consolidated financial statements, our responsibility is to read the other information 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 auditor's 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. 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 our 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 auditor's report is Jaspreet Chahal.

Burlington, Ontario

March 30, 2025

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

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MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2024 and December 31, 2023

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

	Notes	December 31, 2024	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents		11,690	17,981
Trade and other receivables	7	7,512	5,866
Inventories	8	8,563	9,887
Biological assets	9	147	12
Other assets	10	822	1,094
		28,734	34,840
Assets held for sale	11	4,348	1,793
Total current assets		33,082	36,633
Non-current assets:			
Property, plant and equipment	12	19,159	25,272
Intangibles	12.2	854	1,032
Other assets	10	635	1,000
Total non-current assets		20,648	27,304
Total assets		53,730	63,937

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2024 and December 31, 2023

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

	Notes	December 31, 2024	December 31, 2023
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	15	7,858	6,750
Current employee benefit obligations	16	2,300	1,887
Loans and borrowings	13	337	2,226
Total current liabilities		10,495	10,863
Non-current liabilities:			
Loans and borrowings	13	51	69
Total non-current liabilities		51	69
Total liabilities		10,546	10,932
Equity:			
Common shares	17	201,210	200,244
Reserves		29,556	29,532
Accumulated other comprehensive loss		(156)	(39)
Accumulated deficit		(187,426)	(176,732)
Total equity		43,184	53,005
Total liabilities and equity		53,730	63,937

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

/s/ "David Pidduck"
David Pidduck
Director

/s/ "Chris Taves"
Chris Taves
Director

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF LOSS

For the years ended December 31, 2024 and 2023

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

	Notes	2024	2023
Revenue	19	45,205	36,819
Excise taxes		(3,244)	(3,757)
Net revenue		41,961	33,062
Cost of sales		(28,472)	(28,395)
Gross profit before change in fair value of of biological assets		13,489	4,667
Realized fair value adjustment on sale of inventories	9	(1,755)	(679)
Unrealized gain on changes in fair value of biological assets	9	1,071	1,867
Gross profit		12,805	5,855
General administrative expenses	20	(15,831)	(15,095)
Marketing and selling expenses	20	(5,515)	(6,205)
Research and development expenses		(235)	(209)
Share-based compensation expense	17,22	(1,858)	(2,027)
Other operating expenses, net	21	(175)	(571)
Operating loss		(10,809)	(18,252)
Gain on bargain purchase	4	-	4,669
Loss on disposal of subsidiary, net	5	-	(251)
Finance income	23	691	840
Finance expense	23	(576)	(365)
Loss before taxation		(10,694)	(13,359)
Taxation recovery	24	-	276
Net loss for the period		(10,694)	(13,083)
Basic and diluted loss per share	18	(0.03)	(0.04)
Weighted average number of outstanding shares		407,993,353	363,323,952

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31, 2024 and 2023

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

	Notes	2024	2023
Net loss for the period		(10,694)	(13,083)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(117)	(39)
Total comprehensive loss for the period		(10,811)	(13,122)

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2024 and 2023

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

	<u>Common Shares</u>		<u>Reserves</u>		Accumulated other comprehensive loss	Accumulated deficit	Total
	Number	Share capital	Share-based payments	Warrant reserve			
Balance at January 1, 2023	282,164,905	191,256	23,303	5,095	-	(163,649)	56,005
Shares issued on settlement of RSUs (Note 17)	11,301,571	893	(893)	-	-	-	-
Shares issued for the purchase of VIVO (Note 4)	107,930,964	8,095	-	-	-	-	8,095
Share based compensation	-	-	2,027	-	-	-	2,027
Foreign exchange translation	-	-	-	-	(39)	-	(39)
Net loss for the period	-	-	-	-	-	(13,083)	(13,083)
Balance at December 31, 2023	401,397,440	200,244	24,437	5,095	(39)	(176,732)	53,005
Balance at January 1, 2024	401,397,440	200,244	24,437	5,095	(39)	(176,732)	53,005
Shares issued on settlement of RSUs (Note 17)	13,454,634	951	(1,690)	-	-	-	(739)
Shares issued on exercise of options (Note 17)	196,571	15	(1)	-	-	-	14
Share based compensation (Note 17)	-	-	1,715	-	-	-	1,715
Foreign exchange translation	-	-	-	-	(117)	-	(117)
Net loss for the period	-	-	-	-	-	(10,694)	(10,694)
Balance at December 31, 2024	415,048,645	201,210	24,461	5,095	(156)	(187,426)	43,184

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

MEDIPHARM LABS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024 and 2023

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

	Notes	2024	2023
Cash flows from operating activities:			
Net loss for the year		(10,694)	(13,083)
Adjustments for:			
Depreciation and amortization	12	2,600	2,516
Write down of inventory	8	206	1,526
Change in fair value of biological assets	9	684	(1,188)
Loss on sale of subsidiary	5	-	251
Impairment of assets held for sale	11	190	40
Impairment of property, plant and equipment	12	70	183
Gain on disposal of property, plant and equipment	12	(296)	(173)
Change in expected credit loss	7,25	(83)	(1,922)
Finance expense (income), net		(115)	(475)
Unrealized foreign exchange difference		(51)	191
Share based compensation	17	976	2,027
Gain on bargain purchase	4	-	(5,682)
Cash used by operating activities before changes in working capital		(6,513)	(15,789)
Change in trade and other receivables	7	(1,563)	6,291
Change in inventories	8	798	3,114
Changes in biological assets	9	(135)	153
Change in other assets	10	272	(1,221)
Change in trade and other payables	15	1,867	(5,166)
Change in other current tax receivable	24	-	129
Change in current employee benefit obligation	16	413	150
Changes in working capital		1,652	3,450
Net cash used in operating activities		(4,861)	(12,339)
Cash flows from investing activities:			
Capital expenditures	12	(154)	(471)
Cash acquired from business combination	4	-	1,013
Proceeds from sale of property, plant and equipment	12	347	178
Proceeds from sale of assets held for sale	11	220	1,903
Proceeds from disposal of subsidiary	5	-	4,249
Net cash provided by investing activities		413	6,872
Cash flows from financing activities:			
Loan received	13	799	1,066
Repayment of loans and borrowings	13	(2,915)	(1,762)
Interest received		691	840
Interest paid		(300)	(264)
Payment of lease liabilities		(136)	(248)
Proceeds from exercise of share options		14	-
Net cash provided by financing activities		(1,847)	(368)
Effects of exchange rate changes		4	(329)
Decrease in cash and cash equivalents		(6,291)	(6,164)
Cash and cash equivalents at the beginning of the year		17,981	24,145
Cash and cash equivalents at the end of the year		11,690	17,981

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

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2024 and 2023

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

NOTE 1 - NATURE OF OPERATIONS

MediPharm Labs Corp. (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on January 23, 2017 as “POCML 4 Inc.” pursuant to the policies of the TSX Venture Exchange. Subsequent to a reverse takeover transaction, the common shares in the capital of the Company (the “Common Shares”) began trading on the TSX Venture Exchange on October 4, 2018 under the trading symbol “LABS”. On July 29, 2019, the Common Shares were voluntarily delisted from the TSX Venture Exchange and began trading on the Toronto Stock Exchange under the symbol “LABS”.

The Company and its subsidiaries produce cannabis, purified and pharmaceutical-like cannabis extracts, related derivative products and cannabis related medical information and services. Its operating subsidiaries are the holders of cultivation, standard processing, and research licences under the *Cannabis Act* (Canada) (the “Canadian Licences”). The Canadian Licences allow for the cultivation of cannabis, sale and distribution of cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals, dried and fresh cannabis, and derivatives to authorized classes of purchasers, as well as controlled human administration trials for sensory testing of cannabis extracts and derivative products. The Company’s subsidiary, Harvest Medicine Inc. (“Harvest Medicine” or “HMED”) provides clinic services to Canadian patients requiring medical cannabis education and prescriptions.

The Company’s international subsidiaries, Beacon Medical Germany GmbH and Beacon Medical Australia Pty Ltd, market and distribute branded medical cannabis products within the regulations of their respective regions. The head office and the registered and records office of the Company is located at 151 John St. Barrie, Ontario, L4N 2L1.

These consolidated financial statements of the Company as at and for the year ended December 31, 2024 (the “Consolidated Financial Statements”), include the financial statements of the Company and its wholly owned subsidiaries. Throughout these Consolidated Financial Statements, unless the context indicates or requires otherwise, the terms the “Company”, “MediPharm”, “we”, “us” and “our” refer to MediPharm Labs Corp. together with its subsidiaries. The Company’s subsidiaries during the year ended December 31, 2024, are listed below:

Subsidiaries	Registered Country
MediPharm Labs Inc. (“MPL”) (1)	Canada
MPL Property Holdings Inc. (1)	Canada
ABcann Medicinals Inc.	Canada
Canna Farms Limited	Canada
Harvest Medicine Inc.	Canada
Green Earth Realty Inc. (1)	Canada
Beacon Medical Germany GmbH	Germany
Beacon Medical Australia Pty Ltd	Australia
2612785 Ontario Inc. (2)	Canada
MPL International Holdings Inc. (2)	Canada
VIVO Cannabis Inc. (“VIVO”) (1)	Canada
MPL Manufacturing Inc. (2)	Canada
Patients’ Choice Botanicals Inc. (2)	Canada
Universal Botanicals Inc. (2)	Canada
2649924 Ontario Inc. (2)	Canada

(1) These wholly owned subsidiaries were amalgamated during the year.

(2) These wholly owned subsidiaries were dissolved during the year.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2024 and 2023

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

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

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

On March 30, 2025, the Board of Directors of the Company approved these Consolidated Financial Statements.

(ii) Historical cost convention

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

(iii) Foreign currency translation

Functional and presentation currency

The Company and its Canadian subsidiaries’ functional currency, as determined by management, is the Canadian dollar. The functional currencies of the Company’s German and Australian subsidiaries are the Euro and Australian dollar, respectively. These Consolidated Financial Statements are presented in Canadian dollars, which is the Company’s functional currency, as this is the currency of the primary economic environment in which the Company operates (“the functional currency”).

Foreign currency transactions and balances

Foreign currency transactions are translated into the respective entity’s functional currency using the exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are re-measured to the functional currency of the Company at the exchange rate at the reporting date and the date they are settled. Non-monetary items that are based on historical cost in a foreign currency are translated into the functional currency of the Company entity using the exchange rate at the date of the transaction. Foreign currency gains and losses due to translating and settling foreign currency transactions are reported in the consolidated statements of loss on a net basis.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position
- income and expenses are translated at average exchange rates and
- all resulting exchange differences are recognized in other comprehensive income/(loss).

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2024 and 2023

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

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

(iv) Basis of consolidation

Subsidiaries

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

Subsidiaries	Proportion of voting power held by the Company	
	(%)	(%)
	December 31, 2024	December 31, 2023
MediPharm Labs Inc. (1)	100%	100%
MPL Property Holdings Inc. (1)	N/A	100%
MPL Manufacturing Inc. (2)	N/A	100%
2612785 Ontario Inc. (2)	N/A	100%
MPL International Holdings Inc. (2)	N/A	100%
VIVO Cannabis Inc. (1)	N/A	100%
ABcann Medicinals Inc.	100%	100%
Canna Farms Limited	100%	100%
Harvest Medicine Inc.	100%	100%
Green Earth Realty Inc. (1)	N/A	100%
Patients' Choice Botanicals Inc. (2)	N/A	100%
Universal Botanicals Inc. (2)	N/A	100%
Beacon Medical Germany GmbH	100%	100%
Beacon Medical Australia Pty Ltd	100%	100%
2649924 Ontario Inc. (2)	N/A	100%

(1) These wholly owned subsidiaries were amalgamated during the year.

(2) These wholly owned subsidiaries were dissolved during the year.

Subsidiaries are companies in which MediPharm Labs Corp. has the ability to control the financial and operating policies for the benefit of MediPharm Labs Corp. through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly by itself.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of loss and consolidated statements of comprehensive loss from the date the Company gains control of the subsidiary until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full upon consolidation.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2024 and 2023

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

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

2.2 New accounting pronouncements or policies adopted in 2024

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

- Amendments to IFRS 16
- Amendments to IAS 1

2.3 Use of estimates and judgements

The preparation of these Consolidated Financial Statements requires the use of accounting estimates and exercise of judgement in applying the Company's accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

(i) Expected loss rate

The expected credit losses for trade receivables and contract assets are based on assumptions about risk of default. The Company uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculation based on the Company's past history, existing market conditions, and forecasts of future economic conditions at the end of each reporting period.

(ii) Fair value of share-based warrants and stock options

The Company issues share-based warrants and stock options. In estimating the fair value of the share-based warrants and stock options, the Company uses the Black Scholes option pricing model with inputs such as expected life, expected forfeiture rate and volatility of the stock option, based on their best estimate. The assumptions used for estimating fair value for share-based payment transactions with respect to stock options are disclosed in Note 17.2.

(iii) Impairment assessment and estimated useful lives of property, plant and equipment, assets held for sale and intangible assets

The useful lives of the Company's property, plant and equipment and intangible assets are estimated by management at the time the asset is acquired and regularly reviewed for appropriateness. The Company estimates the useful lives of its assets in terms of the assets' expected utility to the Company. This estimate is based on the experience of the Company with similar assets. In determining the useful life of an asset, the Company also assesses technical and/or commercial obsolescence arising from changes to the intended

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2024 and 2023

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

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

use of the asset. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The assessment of any impairment of the Company's property, plant and equipment, assets held for sale and intangible assets is dependent upon estimate of the recoverable amounts of these assets. The determination of whether triggering events require an assessment of the recoverable amount of the asset or Cash Generating Unit ("CGU") requires judgement. If triggering events are identified, the recoverable amount of the CGU is determined based on the higher of the value in use and fair value less costs of disposal. The process to calculate the fair value less costs of disposal require use of valuation methods such as market and cost approaches which uses key inputs and assumptions such as market transactions, inflation indices and discount factors. The process to calculate the value in use requires the use of a discounted cash flow method which uses assumptions or key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applies judgement when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal.

(iv) Valuation of biological assets and inventories

The Company is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis up to the point of harvest, pre-harvest and post-harvest costs, expected sales price, and expected yields for cannabis plants to be harvested. The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventories and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventories.

The Company's inventories are carried at the lower of cost or net realizable value. The determination of net realizable value involves significant management judgement and estimates, including the estimation of future selling prices.

(v) Business combination

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition based on the facts and circumstances of the transaction in relation to the criteria listed in IFRS 3 Business Combinations. Determining the purchase price of a business combination, including any acquisition-related contingent consideration, and determining the allocation of the purchase price requires estimation of the fair value of the non-cash consideration and fair value of the assets acquired and liabilities assumed. Market based and appraisal values are used. The Company's significant assumptions used in determining the acquisition-date fair values of intangible assets include estimated net cash flows attributable to the specific acquired intangible assets, customer attrition rate, and discount rates. The Company's significant assumptions used in determining the acquisition-date fair values of long-lived assets include estimated construction costs, third party selling prices for land and buildings, current estimated cost to purchase or replace similar assets, and inflation indices.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3 - MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in preparation of these Consolidated Financial Statements are summarized below:

3.1 Cash and cash equivalents

Cash and cash equivalents include bank deposits and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.2 Biological assets

The Company measures biological assets, consisting of cannabis plants, at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of inventories after harvest. Unrealized gains or losses arising from the changes in fair value less costs to sell during the year are included in the consolidated statement of loss and comprehensive loss for the related year.

The Company does not recognize the mother plants used for cloning the production cannabis plants on the consolidated statement of financial position, since such plants are considered as 'bearer plants', which are used in the production or supply of agricultural produce; and are expected to bear produce for more than one period per IAS 16 – Property, Plant and Equipment – having a useful life of less than one year.

All production costs related to biological assets are expensed as incurred and are included in cost of sales under production salaries and wages, amortization and depreciation and supplies in the consolidated statement of loss and comprehensive loss for the related year. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment.

3.3 Inventories

Inventories are measured at the lower of cost and net realizable value (Note 8). Cost comprises of direct materials, direct labour and an allocation of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Internally produced cannabis is transferred from biological assets at its fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is 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.

3.4 Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI") or through profit or loss)
- those to be subsequently measured at amortized cost

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

The classification of the financial assets between these two categories depends on the Company's business model for managing the financial assets and the contractual terms of the relating cash flows.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, if the financial asset is not measured at fair value through profit or loss ("FVPL"). Transaction costs of financial assets carried at FVPL are expensed upon recognition in the consolidated statements of loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income, if any, from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss.
- Fair value through other comprehensive income ("FVOCI"): Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest are classified as FVOCI and are measured at fair value subsequent to initial recognition with changes in fair value recognized in the consolidated statements of other comprehensive loss. The Company may make irrevocable elections at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. As of December 31, 2024, the Company does not have any financial assets classified as FVOCI.
- FVPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as FVPL and are measured at fair value subsequent to initial recognition with changes in fair value recognized in the consolidated statements of loss. As of December 31, 2024, the Company does not have any financial assets classified as FVPL.

The Company measures all equity investments at fair value subsequent to initial recognition. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

The Company assumes that the credit risk on an amount due from a customer has increased significantly if it is more than 180 days past due, unless there is an agreed payment plan or collateral. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company, without recourse by the Company to actions such as realizing security (if any is held); however, this excludes the ones which are subject to legal proceedings and are expected to be fully collected.

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

The financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company individually makes an assessment of its customers outstanding balances with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from amounts written off.

3.5 Assets held for sale

Non-current assets are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

3.6 Property, plant and equipment

Property, plant and equipment are carried at acquisition costs less accumulated depreciation. Depreciation is recognized using the straight-line method based on the estimated useful lives of the assets (Note 12).

The depreciation periods for property, plant and equipment, which approximate the useful life of assets, are as follows:

Building and building improvements	5-40 years
Machinery, plant and equipment	5-8 years
Security equipment	5 years
Computers	3 years
Leasehold improvements	shorter of lease or 10 years
Motor vehicles	5 years
Office equipment	5 years
Right-of-use assets	Term of lease

Land is not depreciated due to having infinite useful life.

Construction in progress is not depreciated until the assets are available for use.

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at the end of each reporting period.

Gains or losses on disposals of property, plant and equipment are measured by comparing proceeds with carrying amounts.

The normal maintenance and repair costs incurred for property, plant and equipment are expensed as incurred. Expenditure on property, plant and equipment, which increases the future utility of the assets is added to the cost of the property, plant and equipment.

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

3.7 Intangible assets

Intangible assets include licenses, brand and GMP certifications acquired by the Company and is amortized with a limited useful life of between 5 and 10 years using straight line method. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization methods, useful lives and residual values are reviewed at each reporting period date and adjusted, if appropriate.

3.8 Impairment of non-financial assets

Non-financial assets (other than inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal, and its value in use. If the carrying amount exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount exceeds the recoverable amount. Impairment losses are allocated to reduce the carrying amounts of the other non-financial assets in the CGU on a pro-rata basis. An impairment loss is subsequently reversed only to an amount that is the lesser of the revised estimate of recoverable amount, and the carrying amount, net of depreciation or amortization, that would have been recorded at the date of the reversal had no impairment loss been recognized previously. As at December 31, 2024, the Company had three CGUs being cannabis operations in Canada, ("Canadian CGU"), clinic operations ("HMED CGU") and international medical cannabis operations ("International Medical CGU").

3.9 Taxes

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Income tax recovery/(expense) is recognized in the consolidated statements of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive (loss)/income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

realized, or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

3.10 Trade payables

Trade payables are unsecured liabilities for goods and services provided to the Company prior to the end of the financial year which remain unpaid at year end. Trade payables (Note 15) are presented as current liabilities unless payment is not due within 12 months after the reporting period.

3.11 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. At initial recognition, the Company measures financial liabilities at its fair value plus transaction costs that are directly attributable to the acquisition of the financial liability, if the financial liability is not measured at fair value through profit or loss. Transaction costs of financial liability carried at FVPL are expensed upon recognition in the consolidated statements of loss. Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statements of loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Fees paid on the establishment of financial liability are recognized as transaction costs. Interest expense and foreign exchange gains and losses are recognized in the consolidated statements of loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statements of loss.

Financial liabilities are classified as current liabilities, if they are payable within 12 months of the reporting date, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.12 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognized when the Company

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the Consolidated Financial Statements and treated as contingent assets (Note 14).

3.13 Revenue recognition

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. Costs to obtain a contract that would have been incurred irrespective of whether the contract was obtained are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer irrespective of whether the contract is obtained.

The Company generates revenue from the sale of cannabis and cannabis related products and services and recognizes revenue for such as follows:

Canadian Adult Use and Wellness: This stream includes the production and sale of finished consumer packaged cannabis concentrate based products such as cannabis oil, vapes, soft chews, and capsules and other non-smokeable formats as well as dry flower and pre-rolls. These products are primarily sold to the provincial distributors. Revenue is recognized when the products are delivered to the customers. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data for specific types of products.

Canadian Medical Cannabis: This stream includes products that are sold to patients through the domestic medical channels such as the Canna Farms medical platform and through other licensed producers' medical channels. It also includes the Company's medical clinic business, Harvest Medicine ("HMED"). HMED consists of education-focused, patient-centric, cannabis discovery clinics, which conduct registered patient visits through its clinics and clinic partnerships, and via its telemedicine platform. HMED also offers pharmacy consultations as an additional service offering for patients as part of their medical cannabis care. Revenue is recognised on a per visit basis once the consultation is complete. The Company is contracted by third party licenced producers ("LPs") to provide educational services to patients with regards to the appropriate use of medical cannabis, and the specific products offered by the LPs. The Company charges the LPs a non-refundable referral fee for educational services provided to patients using an agreed upon transaction price, that is received by the Company once a patient procures the related medical cannabis from the LPs.

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

International Medical Cannabis: This stream includes the production and sale of Good Manufacturing Practice ("GMP") tinctures, GMP dry flower, GMP vapes, GMP dronabinol, GMP manufacturing services, and active pharmaceutical ingredients to international customers outside of Canada.

Revenue is recognized when the products are dispatched from the Company's warehouse or contracted third party's warehouse, or in accordance with the terms of the sales agreement. International medical contracts might require advance payments by customers. Such advance receipts are included in contract liabilities until the revenue recognition criteria is met (Note 15). Revenue recognized is adjusted for expected rebates.

Pharmaceutical and Business-to-Business ("B2B"): This stream includes the production and sale of bulk cannabis concentrate based products such as concentrate, distillate and isolate to domestic and international customers. Bulk isolate includes pharmaceutical grade cannabinoids in isolate and finished good forms produced using our Canadian DEL and sold to pharmaceutical customers. For our pharma and academic partners, we also provide a range of clinical and research and development ("R&D") capabilities including Clinical Trial Materials (CTM) for Phase 2-3 Drug Trials. Also included in this stream are contract manufacturing activities where we produce finished goods and various manufacturing steps for other licenced producers. For our pharma and academic partners revenue is recognised based on performance of the obligations defined in the service agreement. Also included in this stream are contract manufacturing activities where we produce finished goods and various manufacturing steps for other licenced producers. Revenue for bulk sales is recognized when the bulk products are dispatched from the Company's warehouse or contracted 3rd party's warehouse. B2B contracts might require advance payments by customers. Such advance receipts are included in contract liabilities (Note 15).

Under the contract manufacturing agreements, customers supply direct materials to the Company for processing into finished goods. The customer controls all the materials it supplies and work in progress as the products are being processed. Under the contract manufacturing service arrangements, the finished products are made to the customer's specification and if a contract is terminated by the customer, the Company is entitled to reimbursement of the costs incurred to date, including a reasonable margin. As such, revenue for tolling arrangements is recognized over time. Progress is determined based on the output method. Amounts not yet invoiced but to which the Company is entitled are presented as contract assets (Note 7).

For contracts that permit the customer to return an item, a refund liability and a right to recover returned goods asset are recognized. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

The Company also enters bill and hold arrangements with customers for certain productions. Revenue for bill and hold arrangements is recognized when the control of the finished product passes to the customer, which is when the product is ready for physical transfer to the customer and the customer accepts the product. Revenue for bill and hold arrangements is only recognized when the Company does not have the ability to use the product for other purposes and when the bill and hold arrangement is requested by the customer for substantive reasons.

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NOTE 3 - MATERIAL ACCOUNTING POLICIES (Continued)

3.14 Employee benefits

Short term obligations

Liabilities for employee compensation, including annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

Share-based payments

Employees (including the senior executives) of the Company receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

The Company measures the cost of share-based compensation by estimating the fair value of the option or restricted share unit ("RSU") at the date when the grant is made using the Black Scholes Valuation Model. That cost is recognized in share-based compensation expense, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based payments reserve to share capital.

3.15 Earnings/(loss) per share

The Company presents basic and diluted earnings/(loss) per share data for its Common Shares. Basic earnings/(loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of Common Shares outstanding during the year. Diluted earnings/(loss) per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of Common Shares outstanding, adjusted for the effects of all dilutive potential Common Shares issuable. In a period of losses, the warrants, options and non-vested RSUs are excluded for the determination of dilutive net loss per share because their effect is antidilutive.

NOTE 4 – BUSINESS COMBINATION

On April 1, 2023, the Company completed the acquisition of VIVO in an all-equity business combination transaction by way of a plan of arrangement under section 192 of the Canada Business Corporations Act (the "Arrangement").

VIVO shareholders received 0.2910 of a common share of the Company in exchange for each common share of VIVO they held immediately prior to closing of the Arrangement. In aggregate, the Company issued 107,930,964 common shares pursuant to the Arrangement to former VIVO shareholders as consideration for their common shares in VIVO.

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NOTE 4 – BUSINESS COMBINATION (Continued)

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

Consideration paid

Common Shares issued	8,095
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Total consideration	8,095
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Fair value of net assets acquired

Cash and cash equivalents	1,013
Trade and other receivables	2,154
Prepays and deposits	283
Inventories	4,017
Biological assets	165
Property, plant & equipment	12,282
Intangible assets	880
Trade and other payables	(4,795)
Lease liabilities	(179)
Convertible debentures	(2,306)

Total identifiable net assets acquired	13,514
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Gain on bargain purchase	(5,419)
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Settlement of pre-existing relationship	750
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Net gain on bargain purchase	(4,669)
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The intangible assets acquired comprise brands, licences, and GMP certification. Brands acquired under the VIVO acquisition include Canna Farms, Beacon Medical and Harvest Medicine brands under which VIVO sells medical and adult-use cannabis and cannabis products in the domestic and international cannabis markets. The brands are subject to amortization with estimated useful lives between 5 to 10 years. The licenses acquired consist of VIVO's cultivation, processing and sales licenses and are subject to amortization over estimated useful lives of 5 years. GMP certification is subject to amortization over a useful life of 10 years.

The primary reason for the acquisition is attributed to the achievement of synergies expected from integrating VIVO and the Company. Gain on bargain purchase is calculated as the excess of the net assets identified as at acquisition date in comparison to the consideration paid. The Company purchased VIVO at a favourable price due to its financial condition, which resulted in a net gain on bargain purchase of \$4,669. Gain on bargain purchase is not taxable.

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NOTE 5 – DISPOSAL OF SUBSIDIARIES

Disposal of 1000652011 Ontario Inc.

Effective September 29, 2023, the Company sold its wholly owned subsidiary, 1000652011 Ontario Inc. As at the disposal date, 1000652011 Ontario Inc. had net assets of \$4,500, which comprise entirely of trade receivables due from one customer. During the year ended December 31, 2023, the Company received 1,573,152 common shares of the purchaser as consideration for the disposal of the subsidiary. The shares were sold and the Company realized net proceeds of \$4,249. Accordingly, the Company recognized a loss on sale of subsidiary amounting to \$251 in the year ended December 31, 2023.

NOTE 6 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	December 31, 2024	December 31, 2023
Financial assets at amortized cost		
Cash and cash equivalents	11,690	17,981
Trade and other receivables (Note 7)	7,512	5,866
Financial liabilities at amortized cost		
Trade and other payables (Note 15)	7,858	6,750
Current employee benefit obligations	2,300	1,887
Loan and borrowings (Note 13)	388	2,295

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

NOTE 7 – TRADE AND OTHER RECEIVABLES

	December 31, 2024	December 31, 2023
Trade receivables, net	6,878	5,515
Other receivables (1)	32	79
HST/GST/VAT receivable	602	272
	7,512	5,866

(1) Other receivables primarily comprise accrued interest.

Credit risk and aging analysis related to trade receivables are included in Note 25.1.

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NOTE 8 – INVENTORIES

	December 31, 2024	December 31, 2023
Raw materials	1,357	2,198
Finished goods	5,922	6,418
Consumables and packages	1,284	1,271
	8,563	9,887

Raw material inventory is comprised of bulk dried cannabis flower (for extraction purposes, making pre-rolls or packaged flower) and trim produced internally and acquired from third party licensed cannabis cultivators. Finished goods inventory is comprised of all packaged products ready for sale and semi-finished bulk products (formulated concentrates, formulated distillates, oil, vapes, and edibles). Consumables include medium-chain triglyceride (“MCT”) oil used in the production of formulated oil, terpenes used in oil formulation and packaging and product hardware materials.

For the year ended December 31, 2024, the Company recognized net write downs of the carrying value of its raw materials and finished goods of \$206 (2023: \$1,526) in cost of sales.

NOTE 9 – BIOLOGICAL ASSETS

	2024	2023
As at January 1	12	-
Recognized on business combination	-	165
Unrealized gain on changes in fair value of biological assets	1,071	1,867
Transfer to inventories upon harvest	(936)	(2,020)
As at end of period	147	12

As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company’s estimates, by their nature, are subject to changes and inaccuracies that could result in future gains or losses in the value of biological assets. Changes in these estimates could result from volatility of sales prices, changes in yields, and variability of the costs incurred to complete a harvest. Prior to harvest, all production costs are expensed.

As at December 31, 2024, the Company’s biological assets were, on average, 52% complete (December 31, 2023 – 17% complete) and it was expected that the biological assets would yield approximately 81kg of dry flower and 20kg of trim (December 31, 2023 – 24kg and 2kg, respectively). As at December 31, 2024, the Company had 1,851 plants (December 31, 2023 – 398 plants) that were biological assets.

The Company values its biological assets at the end of each reporting period at fair value less costs to sell.

This is determined using a valuation model that calculates biological asset value by estimating the expected yield of each plant at harvest, prorated based on the stage at which the plant is in its lifecycle, multiplied by the survival rate of plants at this stage in their life cycles; the estimated per-gram fair value for the expected yield (different fair values are applied for trim and dry flower yield), and the processing and selling costs (which are deducted). The fair value of biological assets is considered a Level 3 categorization in the IFRS

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 9 – BIOLOGICAL ASSETS (Continued)

fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- Average number of weeks in the growing cycle is sixteen weeks from propagation to harvest. As at December 31, 2024 the Company considered plants less than 3.5 weeks of age to be in the cloning stage; between 3.5 and 6 weeks to be in the vegetative state; and more than 6 weeks to be in the flowering stage. The estimates for the growing cycle are unchanged from December 31, 2023.
- Expected average harvest yield as at December 31, 2024 was 105g per plant (December 31, 2023 – 71g), approximately 80% of which is dry flower and 20% is trim (December 31, 2023 – 93% and 7%).
- Expected average fair value of \$1.80 per gram for flower products and \$0.07 per gram for trim at the time of harvest as at December 31, 2024 (December 31, 2023 - \$3.35 and \$0.07, respectively).
- Expected average cost to complete harvest and cost of post-harvest activities to prepare bulk product is \$0.44 per gram as at December 31, 2024 (December 31, 2023 - \$0.60 per gram).

The expected average fair values were determined by using recent bulk flower purchases and the Company's historical purchases and sales, and the Company's expected purchase price going forward. The estimates of growing cycle, harvest yield and costs per gram are based on the Company's historical results. These assumptions are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company expects that a \$1 increase or decrease in the selling price per gram of dried cannabis would increase or decrease the fair value of biological assets by \$36. A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets of \$3. Additionally, an increase or decrease of 10% in the costs of production would decrease or increase the fair value of biological assets by \$2.

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10 – OTHER ASSETS

	December 31, 2024	December 31, 2023
Current assets		
Deposits and down payments (1)	185	265
Prepaid insurance (Note 13)	424	635
Other (2)	213	194
	822	1,094
	December 31, 2024	December 31, 2023
Non-current assets		
Deposits and down payments (1)	635	1,000
	635	1,000

- (1) Deposits and down payments primarily include the down payments to suppliers for the purchase of inventory. The non-current deposits relate to inventory credit received from one of the Company's customers in connection with the settlement of a long outstanding receivable.
- (2) Other includes prepaid expense for software licenses, software maintenance services, professional services, and property taxes.

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NOTE 11 – ASSETS HELD FOR SALE

Hope Facility

As at December 31, 2024, the Company expected to recover the carrying value of its facility in Hope, British Columbia (the “Hope Facility”), including certain machinery and office equipment at the facility, through a sale transaction, rather than continuing use. The net book value of the Hope Facility and the machinery and office equipment at the time of the decision was \$3,793. These assets are measured at their carrying values, which is less than fair value less costs to sell as at December 31, 2024. Efforts to sell the facility have commenced and a sale is expected to occur within the next twelve months.

Lands

As at December 31, 2024, the Company was committed to a plan to sell a piece of land located at Yale Road in Hope, British Columbia. Accordingly, the Company has presented the land as held for sale. Efforts to sell the land have commenced and a sale is expected within the next twelve months. The fair value less costs to sell the land as of December 31, 2024 was estimated to be \$555. During the year ended December 31, 2024, the Company recorded an impairment loss of \$190 in respect of this property, in other operating expenses in the Consolidated Financial Statements.

During the year ended December 31, 2024, the Company sold the land at Vanluven Road in Napanee, Ontario, previously classified as held for sale, for net proceeds of \$220.

Production machinery

During the year ended December 31, 2024, the Company derecognized the balance in assets held for sale (\$829) for certain production machinery against the proceeds for the machinery (\$829), previously classified as contract liabilities. The acquiring entity purchased and paid for the assets in a previous period and took possession of the assets during the year ended December 31, 2024.

The movement in the balance in respect of assets held for sale during the year was as follows:

	Hope Facility	Lands	Production machinery	Total
January 1, 2024	-	964	829	1,793
Additions	3,793	-	-	3,793
Impairments	-	(190)	(829)	(1,019)
Dispositions	-	(220)	-	(220)
December 31, 2024	3,793	554	-	4,347

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	January 1, 2024	Additions	Transfers (2)	Impairment	Transfer to Assets held for sale	Disposals	December 31, 2024
Cost							
Land	2,813	-	-	-	(950)	-	1,863
Building and building improvements	27,837	26	-	-	(2,890)	-	24,973
Leasehold improvements	209	-	-	-	-	-	209
Computers	1,380	7	-	-	-	(8)	1,379
Office equipment	255	-	-	-	(42)	-	213
Machinery and plant equipment	15,825	78	2,500	-	(186)	(5,482)	12,735
Motor vehicles	37	-	-	-	-	-	37
Security equipment	738	-	-	-	-	-	738
Construction in progress (1)	2,502	43	(2,500)	-	-	-	45
Right-of-use assets (Note 10.1)	658	69	-	-	-	(437)	290
	52,254	223	-	-	(4,068)	(5,927)	42,482
Less: Accumulated depreciation and impairment losses							
Building and building improvements	9,327	844	-	-	(181)	-	9,990
Leasehold improvements	154	11	-	-	-	-	165
Computers	1,344	34	-	-	-	(7)	1,371
Office equipment	201	29	-	-	(21)	-	209
Machinery and plant equipment	12,263	1,418	2,410	-	(73)	(5,432)	10,586
Motor vehicles	33	4	-	-	-	-	37
Security equipment	718	17	-	-	-	-	735
Construction in progress	2,410	-	(2,410)	-	-	-	-
Right-of-use assets (Note 10.1)	532	65	-	70	-	(437)	230
	26,982	2,422	-	70	(275)	(5,876)	23,323
Net book value	25,272						19,159

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2024 and 2023

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	January 1, 2023	Additions	Additions from business combination (Note 4)	Transfers (2)	Impairment (Note 11)	Transfer to Assets held for sale	Disposals	December 31, 2023
Cost								
Land	1,523	-	4,380	-	(183)	(2,907)	-	2,813
Building and building improvements	20,934	30	6,790	83	-	-	-	27,837
Leasehold improvements	209	-	-	-	-	-	-	209
Computers	1,365	7	8	-	-	-	-	1,380
Office equipment	207	-	48	-	-	-	-	255
Machinery and plant equipment	15,108	134	967	86	-	-	(470)	15,825
Motor vehicles	37	-	-	-	-	-	-	37
Security equipment	738	-	-	-	-	-	-	738
Construction in progress (1)	2,596	75	-	(169)	-	-	-	2,502
Right-of-use assets (Note 12.1)	437	132	89	-	-	-	-	658
	43,154	378	12,282	-	(183)	(2,907)	(470)	52,254
Less: Accumulated depreciation and impairment losses								
Building and building improvements	8,479	848	-	-	-	-	-	9,327
Leasehold improvements	146	8	-	-	-	-	-	154
Computers	1,279	65	-	-	-	-	-	1,344
Office equipment	156	45	-	-	-	-	-	201
Machinery and plant equipment	11,450	1,278	-	-	-	-	(465)	12,263
Motor vehicles	26	7	-	-	-	-	-	33
Security equipment	674	44	-	-	-	-	-	718
Construction in progress	2,410	-	-	-	-	-	-	2,410
Right-of-use assets (Note 12.1)	423	109	-	-	-	-	-	532
	25,043	2,404	-	-	-	-	(465)	26,982
Net book value	18,111							25,272

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

- (1) Construction in progress consists of the machinery in the installation process and renovation and expansion of building.
- (2) Certain construction in progress assets were transferred to other classes within property, plant and equipment upon completion of the construction and installation.

12.1 Right-of-use assets

The Company leases assets including land, building, equipment and IT equipment. The details of the asset types where the Company is lessee are listed below. Total amount of leases with a term of 12 months or less (“short-term leases”) expensed to the consolidated statements of loss for the year ended December 31, 2024, is \$42 (December 31, 2023: \$59).

	January 1, 2024	Additions	Impairment (1)	Disposals	December 31, 2024
Cost					
Right-of-use assets					
-Land	117	-	-	(117)	-
-Building	342	69	-	(121)	290
-Equipment	167	-	-	(167)	-
-IT equipment	32	-	-	(32)	-
	658	69	-	(437)	290
Less: Accumulated depreciation and impairment					
Right-of-use assets					
-Land	117	-	-	(117)	-
-Building	221	60	70	(121)	230
-Equipment	167	-	-	(167)	-
-IT equipment	27	5	-	(32)	-
	532	65	70	(437)	230
Net book value	126				60

- (1) During the year, the Company discontinued the use of one of its leased facilities and recognized an impairment of \$70 on the balance of the asset.

MEDIPHARM LABS CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at and for the years ended December 31, 2024 and 2023**

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	January 1, 2023	Additions	Additions from business combination (Note 4)	Disposal	December 31, 2023
Cost					
Right-of-use assets					
-Land	117	-	-	-	117
-Building	121	132	89	-	342
-Equipment	167	-	-	-	167
-IT equipment	32	-	-	-	32
	437	132	89	-	658
Less: Accumulated depreciation and impairment					
Right-of-use assets					
-Land	113	4	-	-	117
-Building	121	100	-	-	221
-Equipment	167	-	-	-	167
-IT equipment	22	5	-	-	27
	423	109	-	-	532
Net book value	14				126

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

12.2 Intangible assets

	January 1, 2024	Additions	December 31, 2024
Cost			
Brands	950	-	950
Licenses	225	-	225
GMP certification	180	-	180
	1,355	-	1,355
Less: Accumulated amortization and impairment			
Brand	272	110	382
Licenses	34	45	79
GMP certification	17	23	40
	323	178	501
Net book value	1,032		854

	January 1, 2023	Additions	Additions from business combination (Note 4)	December 31, 2023
Cost				
Brands	250	225	475	950
Licenses	-	-	225	225
GMP certification	-	-	180	180
	250	225	880	1,355
Less: Accumulated amortization and impairment				
Brand	211	61	-	272
Licenses	-	34	-	34
GMP certification	-	17	-	17
	211	112	-	323
Net book value	39			1,032

MEDIPHARM LABS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 13 – LOANS AND BORROWINGS

	December 31, 2024	December 31, 2023
Current liabilities		
Convertible debentures (1)	-	1,778
Other loans and borrowings (2)	258	327
Lease liability (3)	79	121
	337	2,226
	December 31, 2024	December 31, 2023
Non-current liabilities		
Lease liability (3)	51	69
	51	69
Total loans and borrowings	388	2,295

- (1) In connection with the acquisition of VIVO, the Company entered into a fourth supplemental debenture indenture on April 1, 2023 with respect to the outstanding debentures principal of \$2,547 as at April 1, 2023. Under the fourth supplement to the debenture indenture, the Company assumed all the rights, covenants and obligations of VIVO under the original indenture and subsequent amendments and provided for the prepayment of an aggregate principal amount of \$500 on or about the acquisition date. This principal repayment was made on April 3, 2023. The annual interest payable on the debentures was 10.0%. The debentures were fully repaid prior to their maturity date of September 15, 2024.

	2024	2023
As at January 1	1,778	-
Recognized on business combination	-	2,306
Principal repayment	(2,047)	(500)
Interest payment	(146)	(53)
Accretion	415	25
As at December 31	-	1,778

- (2) Other loans and borrowings comprise a financing arrangement for the Company's insurance premiums. Under the current financing arrangement, the Company initially borrowed a notional amount of \$749 and repaid \$519 during the year ended December 31, 2024. The debt has a maturity date of March 30, 2025, bears an interest rate of 7.7% and is repayable in 3 remaining equal monthly instalments. During the year ended December 31, 2024, the Company borrowed an additional \$50 and repaid \$22. This debt has a maturity date of June 1, 2025, bears an interest rate of 12.12% and is repayable in 6 remaining equal monthly instalments. Under the previous financing arrangement, the Company repaid \$327 during the year ended December 31, 2024.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 13 – LOANS AND BORROWINGS (Continued)

- (3) The Company has various lease agreements with maturities of 1 to 3 years. An average incremental borrowing rate of 5.4% is used to calculate the net present value of the lease liability. The maturity analysis of lease liability based on contractual undiscounted cash flow is included in Note 25.2.

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

14.1 Litigation

On June 16, 2020, a consumer filed a Statement of Claim on behalf of a class in the Court of Queen's Bench of Alberta in Alberta, Canada, against several Canadian cannabis manufacturers and/or distributors ("Alberta Claim"). On December 4, 2020, a Third Amended Statement of Claim was filed, where a subsidiary of the Company (Canna Farms Ltd.) was added as a defendant. The Third Amended Statement of Claim alleges claims related to the defendants' advertised content of cannabinoids in cannabis products for medicinal use on or after June 16, 2010 and cannabis products for adult use on or after October 17, 2018. The Company has not recognized any liability in connection with the Alberta claim. Effective July 19, 2024, the plaintiffs filed a notice of discontinuance of claim against all of the defendants without any payment made by the Company or its subsidiary.

The discontinuance of the Alberta Claim also ends, without any payment, the threatened third-party claim against the Company received on July 12, 2022, by another cannabis company named as a defendant in the Alberta Claim. The threatened third-party claim sought contribution and indemnity against the Company and several other third parties in the event the defendant threatening the third-party claim is found liable for damages in the Alberta Claim.

NOTE 15 – TRADE AND OTHER PAYABLES

	December 31, 2024	December 31, 2023
Payable to suppliers (1)	4,237	2,130
Accrued liabilities (2)	2,188	3,018
Contract liabilities (3)	148	112
Deposits from customers (4)	459	279
Deposits on assets held for sale	-	829
Other (5)	826	382
	7,858	6,750

- (1) Payable to suppliers are amounts due to vendors for unpaid goods and services received arising in the ordinary course of business. Trade payables are typically short term in nature with due dates less than 60 days.
- (2) Accrued liabilities mainly result from products and services received from third parties related to ordinary course of business for which invoices have not been received as of the reporting date, and also includes severance liabilities of \$500 (December 31, 2023: \$633).

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NOTE 15 – TRADE AND OTHER PAYABLES (Continued)

- (3) Contract liabilities comprise of advance consideration received from customers for contracts that include revenue recognition over time. During the year ended December 31, 2024, the Company recognized revenue amounting to \$121 from contract liabilities and received additional advance consideration of \$157.
- (4) Deposits from customers comprise of down payments from customers for products to be delivered.
- (5) Other includes HST/GST/QST payable and excise tax payable.

NOTE 16 – EMPLOYEE BENEFIT OBLIGATIONS

	December 31, 2024	December 31, 2023
Accrued employee compensation	2,277	1,858
Leave obligations	23	29
	2,300	1,887

The leave obligations represent the Company's accrued liability in connection with employees' annual leave which are short-term benefits.

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1 Common shares issued

The Company is authorized to issue an unlimited number of Common Shares. Holders of the Common Shares are entitled to one vote per share at shareholder meetings of the Company.

For the year ended December 31, 2024, 196,571 stock options (December 31, 2023: nil stock options) were exercised into Common Shares for proceeds of \$14 (December 31, 2023: \$nil), resulting in an increase to Common Shares on the consolidated statement of financial position of \$15 (December 31, 2024: \$nil). In addition, during the year ended December 31, 2024, 24,008,225 RSUs (December 31, 2023: 11,433,160) were settled through the issuance of 13,454,634 Common Shares (December 31, 2023: 11,301,571), resulting in an increase to Common Shares on the consolidated statement of financial position of \$951 (December 31, 2023: \$893). The unissued shares are withheld for tax obligations, which are settled in cash by the Company. Of the total share-based compensation of \$1,858 reported in the year ended December 31, 2024 (2023 - \$2,027), \$739 (2023 - nil) was paid in cash to settle the tax obligations resulting from the exercise of RSUs and the remainder is the result of the vesting of options and RSUs.

17.2 Stock options / Share based compensation

On December 20, 2024 the Company issued options to purchase up to 3,861,505 Common Shares with an exercise price of \$0.065 per share for a 5-year term expiring December 20, 2029 under the Company's omnibus equity incentive plan (the "Plan"). The vesting for the options is 50% every six months, with 50% vesting six months from the date of the grant, until fully vested. Total fair value of the options issued was \$172 and was estimated using the Black Scholes option pricing model, using the following assumptions:

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NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

estimated volatility of 85.27%, expected life of 5 years, a risk-free rate of 3.01%, a forfeiture rate of 7.37%, and a share price of \$0.065.

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

	2024		2023	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
As at January 1	40,938,502	0.260	26,642,138	0.66
Issued during the year	3,861,505	0.065	19,536,069	0.06
Exercised during the year	(196,571)	0.065	-	-
Forfeited/cancelled during the year	(7,602,902)	0.816	(5,239,705)	1.50
As at December 31	37,000,534	0.148	40,938,502	0.26

The range of exercise prices for options outstanding as at December 31, 2024 is as below:

	Weighted average remaining contractual life (years)	Number of outstanding options
Exercise price range	2024	2024
Equal to \$0.06 and less than \$0.10 ⁽¹⁾	3.35	23,196,884
Equal to \$0.10 and less than \$0.15	2.43	5,183,650
Equal to \$0.15 and less than \$0.20	2.02	6,700,000
Equal to \$0.20 and less than \$0.50	0.60	310,000
Equal to \$0.50 and less than \$1.00	0.87	630,000
Equal to and more than \$1.00	0.18	980,000
		37,000,534

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

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NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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

	2024 Number of RSUs	2023 Number of RSUs
As at January 1	24,670,248	18,802,634
Granted during the period	15,508,586	17,386,552
Settled during the period	(24,008,225)	(11,433,160)
Forfeited during the period	(499,523)	(85,778)
As at December 31	15,671,086	24,670,248

17.3 Share purchase warrants

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

NOTE 18 – EARNINGS (LOSS) PER SHARE (EPS)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023	2022
Loss attributable to equity holders of the Company	(10,694)	(13.083)
Weighted average number of shares for basic and diluted EPS	407,993,353	363,323,952
Basic and diluted EPS	(0.03)	(0.04)

For the years ended December 31, 2024 and 2023, since the Company reported a loss, the effects of stock options, RSUs and warrants were considered anti-dilutive.

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NOTE 19 – REVENUE

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

	2024	2023
Canada	24,146	23,085
International sales		
Australia	8,833	5,389
Germany	8,575	3,582
Other	407	1,006
	41,961	33,062
Canadian Adult Use and Wellness	7,049	10,260
Canadian Medical Cannabis		
Clinics	2,206	1,858
Other Canadian Medical Cannabis	11,667	9,888
	13,873	11,746
International Medical Cannabis	17,637	9,660
Pharmaceutical and B2B	3,402	1,396
	41,961	33,062
Products transferred at a point in time	38,966	32,155
Products and services transferred over time	2,995	907
	41,961	33,062

For the year ended December 31, 2024, the Company had only one customer (year ended December 31, 2023: two) which individually contributed 10% or more of the Company's total revenue for the period. Individually, this customer represented 19.8% of total revenue for the year ended December 31, 2024 (year ended December 31, 2023: two customers represented 15.6%, 13.4%). The Company had no other customer that represented more than 10% of the Company's total revenues for the year ended December 31, 2024.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 20 – GENERAL ADMINISTRATIVE AND MARKETING AND SELLING EXPENSES

	2024	2023
Employee benefits (1)	8,492	9,319
Consulting and professional fees (2)	3,305	3,601
Depreciation	431	453
ECL (recovery) on receivables (Note 25.1)	(83)	(1,922)
Software and licenses	701	833
Rent and occupancy cost	608	582
Insurance	391	959
Health Canada fee and regulatory costs (3)	967	407
Other (4)	1,019	863
Total general administrative expenses	15,831	15,095

- (1) Employee benefits include severance expense of \$923 due to organizational restructuring for the year ended December 31, 2024 (year ended December 31, 2023: \$1,910).
- (2) Consulting and professional fees primarily consist of audit and tax, information technology, quality assurance, and legal services.
- (3) Health Canada fee and regulatory costs primarily consist of the Health Canada Annual Regulatory Fee levied at 2.3% of cannabis revenue, and other Health Canada fees.
- (4) Other includes office related expenses, utility expenses and subscriptions, and travel and entertainment.

	2024	2023
Employee benefits (1)	1,909	2,664
Investor relations	191	100
Consulting and professional fees (2)	562	380
Advertising and promotion (3)	867	1,273
Freight	1,546	1,328
Other (4)	440	460
Total marketing and selling expenses	5,515	6,205

- (1) Employee benefits include severance expense of \$32 due to organizational restructuring for the year ended December 31, 2024 (year ended December 31, 2023: \$87).
- (2) Consulting and professional fees include contract sales.
- (3) Advertising and promotion expenses cover the digital marketing, events and other advertisement related activities.
- (4) Other includes supplies and travel expenses.

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

NOTE 21 – OTHER OPERATING INCOME/(EXPENSES), NET

	2024	2023
Foreign exchange gain/(loss), net	55	(456)
Property, plant and equipment and intangible impairment (Note 12)	-	(183)
Impairment loss on asset held for sale (Note 11)	-	(40)
Gain on sale of property, plant and equipment	(296)	174
Other (1)	66	(66)
	(175)	(571)

(1) Other includes impairment of right-of-use assets (Note 12.1) and bank and financial institution service fees.

NOTE 22 – EXPENSES BY NATURE

	2024	2023
Inventory and consumables recognized in cost of sales	15,155	12,932
Fair value adjustments in cost of sales	684	(1,188)
Write down of inventory to net realizable value (Note 8)	206	1,526
Employee compensation (1)	17,021	19,362
Consulting and professional fees (2)	3,997	4,184
ECL on trade receivables (3)	(83)	(1,922)
Share based compensation expense (4)	1,858	2,027
Supplies and small equipment (5)	1,082	1,198
Depreciation and amortization	2,600	2,516
Rent and occupancy cost	1,322	1,300
Foreign exchange (gain) loss	(46)	456
Analytical testing	1,160	1,112
Advertising and promotion	949	1,283
Insurance	1,175	1,677
Software and licenses	979	1,042
Freight	1,644	1,548
Health Canada fee and regulatory costs (6)	967	409
Other (7)	2,100	1,852
	52,770	51,314

(1) Employee compensation includes severance cost in relation to restructuring measures undertaken by the Company during the year. For the year ended December 31, 2024, the severance cost incurred in relation to the restructuring amounted to \$1,227 (year ended December 31, 2023: \$2,303).

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NOTE 22 – EXPENSES BY NATURE (Continued)

(2) Consulting and professional fees primarily consist of audit and tax, information technology, quality assurance, legal services, contract sales, and regulatory consulting.

(3) During the year ended December 31, 2023, the Company received cannabis products valued at \$1,546 as settlement for a long outstanding debt of \$6,076. The Company has previously assessed this entire receivable as credit impaired and recorded an expected credit loss (“ECL”) for the entirety of this receivable. The amount recovered, including tax recoveries of \$464, has been recognized as income during the year ended December 31, 2023, in general administrative expenses.

(4) For the year ended December 31, 2024, out of total share-based compensation expense of \$1,858 (December 31, 2023: \$2,027), general administrative expense portion is \$1,477 (December 31, 2023: \$1,655), marketing and selling expense portion is \$181 (December 31, 2023: \$113), cost of sales portion is \$117 (December 31, 2023: \$182) and research and development portion is \$83 (December 31, 2023: \$77).

(5) Supplies and small equipment include lab supplies, office supplies, other facility supplies, and facility maintenance costs.

(6) Health Canada fee and regulatory costs primarily consist of the Health Canada Annual Regulatory Fee levied at 2.3% of cannabis revenue, and other Health Canada fees.

(7) Other includes investor relations, travel expenses, bank fees, and repair and maintenance expenses.

NOTE 23– FINANCE INCOME / EXPENSES

	2024	2023
Interest income	691	840
Total finance income	691	840
Accretion expense on convertible debt	415	250
Interest expense	161	115
Total finance expense	576	365

NOTE 24 – INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS

The taxes on income reflected on the consolidated statements of loss for the year ended December 31 are summarized below:

	2024	2023
Current income tax (recovery)/expense	-	(276)
Total income tax (recovery)/expense	-	(276)

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NOTE 24 – INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS (Continued)

Reconciliation of income tax is as below:

	2024	2023
Loss before tax	(10,694)	(13,359)
Tax recovery based on statutory rate	(2,834)	(3,540)
Tax effect of amounts which are non-deductible	896	(303)
Return to provision difference	-	(276)
Difference in provincial and overseas tax rates	(62)	(78)
Change in unrecognized deferred tax assets	2,000	3,921
Total income tax (recovery)/expense	-	(276)

The tax rate above is computed using the Canadian Federal and Ontario statutory tax rate of 26.5% (2023: 26.5%).

Deferred tax assets have not been recognized for losses and other deductible temporary differences as follows:

	2024	2023
Losses	246,578	274,610
Financing costs	703	1,872
Property, plant and equipment	5,768	5,056
Other items	1,138	1,089
Total unrecognized temporary differences	254,187	282,627

The tax benefit in connection with the Company's losses that may be available to reduce income tax in a future taxation period amounts to \$64,519 (2023: \$72,760).

	2024	Expiry	2023	Expiry
Canadian non-capital losses	223,490	2033 - 2043	252,637	2033 - 2043
Canadian capital losses	9,854	Indefinite	9,564	Indefinite
Foreign operating losses	13,234	Indefinite	12,409	Indefinite

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NOTE 25 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company is exposed to a variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk) and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by the subsidiaries of the Company under policies approved by the Company's Board of Directors.

25.1 Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company holds cash and cash equivalents of \$11,690 (December 31, 2023: \$17,981). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks, large credit unions, or other large foreign banks.

At December 31, 2024, the exposure to credit risk for gross trade receivables and contract assets by the type of customer is as follows:

	December 31, 2024	December 31, 2023
Business to business customers	5,366	3,926
Insurance companies	835	751
Distributors / Retailers (1)	755	1,046
	6,956	5,723

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

As at December 31, 2024, the Company holds trade receivables from four customers representing 21%, 13%, 11%, and 10% of total trade receivables of total trade receivables (December 31, 2023: five customers representing 20%, 12%, 11%, 10%, and 10%). The Company had no other customer that represented more than 10% of the Company's gross trade receivables.

The Company limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from certain business-to-business customers before the shipment of the products. Also, the Company's management believes that the exposure to credit risk from distributors is very limited since most of the distributors are either government organizations or large reputable organizations. As at December 31, 2024, the allowance for expected credit losses in connection with its trade receivables and contract assets was \$78 (December 31, 2023: \$208).

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NOTE 25 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

25.1 Credit risk (Continued)

The aging of the Company's trade receivables at December 31, 2024 is as follows:

	December 31, 2024 Carrying amount	December 31, 2023 Carrying amount
Current (not past due)	5,958	4,414
1-30 days past due	727	991
31-90 days past due	19	79
90-270 days past due	128	45
270-365 days past due	60	170
>365 days	64	24
Gross trade receivables	6,956	5,723
Expected credit losses	(78)	(208)
Net trade receivables	6,878	5,515

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

	2024	2023
Balance at January 1	208	6,210
Recoveries of loss allowance	18	(2,010)
Amounts written off	(177)	(4,080)
Net remeasurement of loss allowance	29	88
Expected credit losses as at December 31	78	208

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NOTE 25 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

25.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period the Company held deposits at banks and financial institutions of \$11,690 (December 31, 2023: \$17,981) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

The table below presents the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities At December 31 2024	Total Less than 6 months	6-12 months	12-36 months	36-60 months	Total Contractual cash flows	Carrying amount
Trade and other payables	7,708	150	-	-	7,858	7,858
Employee benefit obligations	2,300	-	-	-	2,300	2,300
Loans and borrowings	258	-	-	-	258	258
Lease liability	42	42	51	-	135	130
Total financial liabilities	10,308	192	51	-	10,551	10,546

25.3 Market risk

Market risk is the risk that changes in market price - e.g. foreign exchange rates, interest rates and price risk – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Foreign currency risk

Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. As of the end of the reporting period, the Company's foreign currency exposure is due to USD, EUR and AUD foreign currency denominated transactions.

A 5% strengthening of CAD against USD, EUR, and AUD would increase the Company's net loss by \$7, \$14, and \$37 respectively.

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NOTE 25 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

25.4 Capital risk management

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

Management defines capital as the Company's shareholders' equity and debt (consisting of the Company's loans and borrowings). As at December 31, 2024, total managed capital is \$43,572 (December 31, 2023: \$55,300). The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund both existing and future value-added growth opportunities. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners or through debt financing.

NOTE 26 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

During the year ended December 31, 2024, there were no transfers between levels. The Company does not have any level 3 financial instruments.

NOTE 27 – SEGMENT INFORMATION

The Company operates in one reportable segment, the production and sales of cannabis flower, extracts and derivative products. The Company's country of domicile is Canada. The carrying value of non-current assets located in Canada and outside of Canada is \$20,648 and \$nil (December 31, 2023: \$27,301 and \$3), respectively and these assets are primarily made up of property, plant and equipment and deposits given for property, plant and equipment.

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NOTE 28 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

28.1 Key management personnel compensation

The Company has determined that key management personnel consist of directors and officers in the Company. The non-share-based compensation remuneration to directors and officers during the year ended December 31, 2024 was \$1,761 (year ended December 31, 2023: \$2,676) and is included in general and administrative expenses.

During the year ended December 31, 2024 the Company issued nil options at an average exercise price of \$nil per share (year ended December 31, 2023: 7,186,153 options at \$0.065 per share) and 10,344,533 RSUs (year ended December 31, 2023: 12,665,076 RSUs) to its key management personnel and recognized total share-based compensation expense related to key management personnel of \$1,157 (year ended December 31, 2023: \$1,302).

During the year ended December 31, 2024, the Company's key management personnel exercised nil options for gross proceeds of \$nil (year ended December 31, 2023: nil options for gross proceeds of \$nil) and 16,415,939 RSUs held by the Company's key management personnel were settled through the issuance of 9,919,972 Common Shares amounting to \$711 (year ended December 31, 2023: 11,954,377 RSUs were exercised through the issuance of 11,954,377 Common Shares amounting to \$816). The unissued shares are withheld for taxes.

28.2 Transactions and balances with key management personnel

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. The Company had no transactions with these companies during the years ended December 31, 2024 and 2023.

As at December 31, 2024, the Company has \$995 (December 31, 2023: \$360) due to key management personnel and no amount was due to entities over which they have control or significant influence (December 31, 2023: \$nil). The balance due to key management personnel comprise of accrued compensation and is included in current employee benefit obligations in the consolidated statements of financial position.

NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

Effective February 26, 2025, MediPharm entered into a purchase and sale agreement for the sale of the Hope Facility to Rubicon Organics Inc. for \$4.5 million in cash.

Issued and cancelled stock options and RSUs

Subsequent to December 31, 2024, 196,667 options were forfeited, and 50,000 options were exercised through issuance of 14,815 Common Shares resulting in 36,753,867 options remaining outstanding as of the date these Consolidated Financial Statements were approved by the Board of Directors of the Company.

Subsequent to December 31, 2024, 162,500 RSUs were settled through the issuance of 75,513 Common Shares resulting in 15,508,586 RSUs remaining outstanding as of the date these Consolidated Financial Statements were approved by the Board of Directors of the Company.