FORM 5A

ANNUAL LISTING SUMMARY

Introduction

The requirement to file this Form 5A does not apply to NV Issuers. NV Issuers must file a Form 51-102F2 Annual Information Form.

This Annual Listing Summary must be posted on or before the day on which the Issuer's annual financial statements are to be filed under the Securities Act. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies.

General Instructions

(a) Prepare this Annual Listing Summary using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Listed Issuer Name: SLANG Worldwide Inc. **Website: https://slangww.com** **Listing Statement Date: Annual Information Form (April 27, 2022)** **Description(s) of listed securities(symbol/type): Common shares (SLNG)**
Brief Description of the Issuer's Business: an industry leader in branded cannabis consumer packaged goods, with a diversified portfolio of five distinct brands and products distributed across the U.S. Operating in 15 legal cannabis markets nationwide, the Issuer specializes in acquiring and developing market-proven regional brands, as well as launching innovative new brands to seize global market opportunities and match evolving consumer tastes.

Description of additional (unlisted) securities outstanding: Restricted voting shares
Jurisdiction of Incorporation: Canada
Fiscal Year End: December 31
Date of Last Shareholders' Meeting and Date of Next Shareholders' Meeting (if scheduled): June 14, 2023 and June 26, 2024
Financial Information as at: December 31, 2023 **All financial information has been disclosed in the Issuer's Financial Statements for the year ended December 31, 2023 attached as Schedule A and Management Discussion and Analysis attached as Schedule B.**

	Current	**Previous**
Cash		
Current Assets		
Non-current Assets		
Current Liabilities		
Non-current Liabilities		
Shareholders' equity		
Revenue		
Net Income		
Net Cash Flow from Operations		

SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in the Schedules. If the required details are included in Schedule A or B, provide specific reference to the page or note.

All supplementary information has been disclosed in the Issuer's Financial Statements for the year ended December 31, 2023 attached as Schedule A and Management Discussion and Analysis attached as Schedule B.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

See the Issuer's Financial Statements for the year ended December 31, 2023 attached as Schedule A and Management Discussion and Analysis attached as Schedule B.

2. Summary of securities issued and options granted during the period.

Provide the following information for the Listed Issuer's fiscal year:

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
February 13, 2023	Restricted Voting Shares	Acquisition Additional Consideration	100,167,654	$0.08	N/A	Asset	N/A	N/A
March 9, 2023	Common Shares	Restricted Share Unit vesting	3,873	$0.035	N/A	N/A	Employee	N/A
May 15, 2023	Common Shares	Retention Bonus	1,949,723	$0.029	N/A	N/A	Executive Officer	N/A
November 14, 2023	Common Shares	Retention Bonus	5,575,781	$0.05	N/A	N/A	Executive Officer	N/A
November 14, 2023	Common Shares	Retention	2,946,757	$0.05	N/A	N/A	Executive Officer	N/A

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
January 9, 2023	20,000	Luis Ontiveros	Employee	$0.05	January 9, 2028	$0.05
January 30, 2023	16,667	André Martos	Employee	$0.05	January 30, 2028	$0.05
April 17, 2023	16,667	Aaron Barrett	Employee	$0.05	April 17, 2028	$0.03
July 14, 2023	20,000	Muhammed Taha	Employee	$0.05	July 14, 2028	$0.03
July 31, 2023	16,667	Zach Silber	Employee	$0.05	July 31, 2028	$0.03
September 22, 2023	539,440	Felicia Snyder	Director	$0.05	September 22, 2028	$0.05
September 22, 2023	539,440	Kevin K. Albert	Director	$0.05	September 22, 2028	$0.05
September 22, 2023	539,440	Adam Crocker	Director	$0.05	September 22, 2028	$0.05
September 22, 2023	539,440	Sandra Levy	Director	$0.05	September 22, 2028	$0.05
September 22, 2023	539,440	Ruth Chun	Director	$0.05	September 22, 2028	$0.05

September 22, 2023	539,440	Todd Boudreau	Director	$0.05	September 22, 2028	$0.05
November 16, 2023	20,000	Lauren Hoogewind	Employee	$0.05	November 16, 2028	$0.04

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of securities outstanding for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(c) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

See the Issuer's Financial Statements for the year ended December 31, 2023 attached as Schedule A and Management Discussion and Analysis attached as Schedule B.

4. List the names of the directors and officers and include the position(s) held and the date of appointment, as at the date this report is signed and filed.

Name	Position	Date of Appointment
Felicia Snyder	Director	May 14, 2021
Kevin Albert	Director Vice Chair of the Board	April 4, 2022 August 25, 2022
Adam Crocker	Director	June 16, 2022
Sandra Levy	Director	June 16, 2022
Ruth Chun	Director Chair of the Board	June 16, 2022 August 25, 2022
Todd Boudreau	Director	June 16, 2022
Mikel Rutherford	Chief Financial Officer	August 26, 2020
Johnathan Moynan	Chief Executive Officer and Corporate Secretary	August 26, 2020

5. Financial Resources

a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

c) Disclose the total funds available to the Issuer and the following breakdown of those funds:

   (i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and

   (ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and

   (iii) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.

See the Issuer's Financial Statements for the year ended December 31, 2023 attached as Schedule A and Management Discussion and Analysis attached as Schedule B.

6. Status of Operations

During the fiscal year, did the Listed Issuer

(a) reduce or impair its principal operating assets; or

(b) cease or substantively reduce its business operations with respect to its stated business objectives in the most recent Listing Statement?

Provide details:

See the Issuer's Financial Statements for the year ended December 31, 2023 attached as Schedule A and Management Discussion and Analysis attached as Schedule B.

7. Business Activity

a) Activity for a mining or oil and gas Listed Issuer

   (i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, significant revenue from operations, or $50,000 in exploration or development expenditures?

   Provide details.

   (ii) If the response to (i) above is "no", for the three most recent fiscal years did the Listed Issuer have an aggregate of $100,000 in exploration or development expenditures?

   Provide details.

b) Activity for industry segments other than mining or oil & gas

(i) For the most recent fiscal year, did the Listed Issuer have positive cash flow, or $100,000 in revenue from operations or $100,000 in development expenditures?

Provide details.

(ii) If the response to (i) above is “no”, for the three most recent fiscal years, did the Listed Issuer have either $200,000 in operating revenues or $200,000 in expenditures directly related to the development of the business?

Provide details.

See the Issuer’s Financial Statements for the year ended December 31, 2023 attached as Schedule A and Management Discussion and Analysis attached as Schedule B.

SCHEDULE A: AUDITED ANNUAL FINANCIAL STATEMENTS

SLANG WORLDWIDE

Consolidated Financial Statements for the years ended December 31, 2023 and 2022

SLANG Worldwide Inc.

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Independent Auditor's Report

To the Shareholders of SLANG Worldwide Inc.:

Opinion

We have audited the consolidated financial statements of SLANG Worldwide Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) 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, 2023 and 2022 and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss and generated negative cash flows from operating activities during the year ended December 31, 2023 and had a working capital deficit as of December 31, 2023. In addition, we draw attention to Note 31 in the consolidated financial statements which indicates that the Company ceased to meet the definition of a Publicly Traded Corporation within the meaning of the Colorado Revised Statutes and that the Company was granted extended time from the Colorado Marijuana Enforcement Division to re-qualify as a Publicly Traded Corporation. As stated in Note 2 and Note 31, these events and conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern or have a material adverse effect on the Company's business. Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

MNP LLP
1 Adelaide Street East, Suite 1900, Toronto ON, M5C 2V9 1.877.251.2922 T: 416.596.1711 F: 416.596.7894

Valuation of Inventories

Key Audit Matter Description
The cost of work in progress and finished goods cannabis inventories includes (a) cost of dried cannabis, (b) applicable allocation of cost of labour and overheads as part of the production process, and (c) other costs incurred to bring the inventories to their present location and condition. Inventories are subsequently assessed for write-down based on the lower of cost and net realizable value. As of December 31, 2023, the carrying value of the Company's inventories was approximately $6.2 million. Refer to Note 9 to the consolidated financial statements for further details.

We identified the valuation of inventories as a key audit matter, as a high degree of auditor judgment was required to evaluate the significant assumptions and estimates made by management and a complexity involved in preparing the assessment.

Audit Response
We responded to this matter by performing audit procedures in relation to the valuation of inventories. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding and evaluated the design and implementation of internal controls over the Company's inventory carrying value determination process, including the basis for developing management's assumptions and estimates;
- Performed a physical observation of the year end inventories on a sample basis;
- Tested the allocation of overhead costs based on actual production quantities by assessing the appropriateness of the allocation method, cost drivers and other estimates made by management and verifying source documents;
- Tested the measurement of inventories by verifying the cost against the estimated net realizable value based on expected net selling prices; and
- Evaluated the reasonability of the expected net selling prices based on actual sales made subsequent to year end.

Impairment of Goodwill and Intangible Assets

Key Audit Matter Description
As described in Notes 15 and 16 to the consolidated financial statements, the Company performed impairment tests of its goodwill and intangible assets. As a result of the impairment tests, the Company recognized an approximate $0.5 million impairment loss related to certain intangible assets, which is the amount by which the carrying value exceeded the recoverable amount that was determined based on a value in use calculated for the related cash generating units ("CGUs").

We identified the estimation of goodwill and intangible assets impairment as a key audit matter. Evaluating the Company's determination of the recoverable amount required a high degree of auditor judgement. Specifically, the key assumptions in the assessment are future operating results, including revenue, gross profit and operating margins, growth rates, terminal growth rate and discount rates used to measure the value in use, which involve a high degree of subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates.

Audit Response
We responded to this matter by performing procedures over the impairment of goodwill and intangible assets. Our audit work in relation to this included, but was not restricted to, the following:

- Utilized internal valuation experts to evaluate the reasonability of the impairment model used by management and the appropriateness of the Company's discount rates;
- Assessed management's assumptions about revenue growth rate forecasts, expected margin realization rates and terminal growth rates in light of historical results and projected future economic and market conditions;
- Tested the mathematical accuracy of management's impairment model and supporting calculations; and
- Assessed the appropriateness and completeness of related disclosures in the consolidated financial statements.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in 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 Eduard Shvekher.

MNP LLP

Toronto, Ontario
April 11, 2024

Chartered Professional Accountants
Licensed Public Accountants

SLANG Worldwide Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

At December 31,	Notes	2023	2022
Assets			
Current			
Cash		**$5,056,764**	$7,848,935
Restricted cash	6	**3,979,050**	-
Accounts receivable	7, 33	**1,917,811**	2,658,554
Other receivables	8	**404,013**	174,345
Prepaid and other deposits	11	**1,417,599**	1,464,276
Inventories	9	**6,171,381**	6,468,792
Biological assets	10	**404,910**	610,024
Assets held for sale	24	**-**	534,032
Total current assets		**19,351,528**	19,758,958
Restricted cash	6	**-**	4,070,850
Investments, at fair value	12	**-**	1,111,635
Right of use assets	17	**3,961,234**	4,674,321
Property, plant and equipment	14	**1,896,994**	2,744,141
Intangible assets	15	**7,321,187**	9,707,838
Goodwill	16	**672,115**	687,621
Total assets		**$33,203,058**	$42,755,364
Liabilities			
Current			
Accounts payable and accrued liabilities	18	**$5,943,965**	$5,527,166
Current portion of notes payable	20	**77,847**	59,583
Current portion of lease liabilities	21	**753,321**	589,228
Contract liability		**52,132**	51,680
Convertible debentures	22	**21,403,146**	-
Derivative liabilities	22	**106,894**	-
Deferred cash consideration	19	**-**	339,238
Current portion of contingent consideration	19	**-**	2,851,435
Liabilities held for sale	24	**-**	337,275
Total current liabilities		**28,337,305**	9,755,605
Notes payable	20	**889,937**	855,455
Lease liabilities	21	**4,465,478**	5,237,676
Derivative liabilities	22	**13,012**	220,559
Convertible debentures	22	**2,277,429**	14,208,893
Uncertain tax position liabilities	29	**1,599,548**	-
Total liabilities		**37,582,709**	30,278,188
Shareholders' equity (deficit)			
Share capital	23	**54,326,550**	44,950,354
Restricted share capital	23	**32,452,337**	38,906,904
Share capital to be issued	23	**11,548**	414,219
Warrants	23	**7,194,772**	7,194,772
Contributed surplus	23	**20,217,493**	20,007,724
Foreign currency translation reserve		**(2,168,722)**	(1,949,470)
Deficit		**(116,413,629)**	(97,047,327)
Total shareholders' equity (deficit)		**(4,379,651)**	12,477,176
Total liabilities and shareholders' equity		**$33,203,058**	$42,755,364

Going concern	2d
Contingencies and Commitments	31
Subsequent events	34

SLANG Worldwide Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2023	2022
Revenue			
Product and licensing revenue		**$35,341,722**	$37,927,126
Interest and other income		**340,486**	261,783
Total revenue	32	**35,682,208**	38,188,909
Cost of goods sold		**17,006,553**	20,566,020
Gross profit before fair value adjustment of biological assets		**18,675,655**	17,622,889
Realized fair value amounts included in inventory sold	9	**(2,112,229)**	(2,975,842)
Unrealized gain on changes in fair value of biological assets	10	**2,055,993**	1,798,832
Gross profit		**18,619,419**	16,445,879
Expenses			
Salaries and wages	30	**10,605,784**	11,332,330
General and administrative	27	**4,397,121**	3,690,867
Depreciation and amortization	14, 15, 17	**2,323,467**	5,528,382
Professional fees		**2,112,765**	1,649,065
Insurance		**1,463,938**	2,093,284
Sales and marketing		**1,435,195**	1,338,726
Consulting and subcontractors	30	**1,173,889**	1,811,204
Share based payments	23, 30	**1,048,867**	3,709,275
Expected credit losses	33	**44,798**	179,166
Total expenses		**24,605,824**	31,332,299
Loss from operations		**(5,986,405)**	(14,886,420)
Expenses related to acquisitions	5	**-**	1,494,575
Financing cost and fair value adjustment	26	**11,553,399**	(1,349,382)
Impairment of long-lived assets	15, 16	**524,992**	15,353,403
Other expense (income)	28	**(298,042)**	(923,774)
Loss before income taxes		**(17,766,754)**	(29,461,242)
Current tax expense	29	**1,599,548**	-
Net loss from continuing operations		**(19,366,302)**	(29,461,242)
Net loss from discontinued operations, net of tax	25	**-**	(807,020)
Net loss		**(19,366,302)**	(30,268,262)
Other comprehensive loss for the year			
Amounts that may be reclassified subsequently to profit or loss:			
Currency translation adjustment		**(219,252)**	614,662
Total comprehensive loss for the year		**$(19,585,554)**	$(29,653,600)
Net loss per common and restricted voting share			
Basic and Diluted		**$(0.10)**	$(0.30)
Basic and Diluted - Continuing Operations		**$(0.10)**	$(0.29)
Basic and Diluted - Discontinued Operations		**$-**	$(0.01)
Weighted average number of common and restricted voting shares outstanding			
Basic and Diluted		**191,570,641**	101,148,825

SLANG Worldwide Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian dollars)

	Common share Capital	Restricted voting share capital	Share capital to be issued	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total
Balance, December 31, 2021	**$31,322,953**	**$48,408,216**	**$1,328,073**	**$7,194,772**	**$19,257,412**	**$(2,564,132)**	**$(66,779,065)**	**$38,168,229**
Net loss for the year	-	-	-	-	-	-	(30,268,262)	(30,268,262)
Exchange differences on translation of foreign operations	-	-	-	-	-	614,662	-	614,662
Stock based compensation expense	-	-	-	-	888,618	-	-	888,618
Restricted share unit compensation	-	-	-	-	128,194	-	-	128,194
Share exchange of restricted voting shares to common shares	11,871,194	(11,871,194)	-	-	-	-	-	-
Issued pursuant to asset acquisition	166,457	177,692	-	-	-	-	-	344,149
Issued pursuant to consulting agreements	587,966	2,103,520	(507,120)	-	-	-	-	2,184,366
Issued pursuant to conversion of RSUs	971,784	-	(722,616)	-	(266,500)	-	-	(17,332)
Shares issued to employees	30,000	-	404,552	-	-	-	-	434,552
Issued pursuant to business combinations	-	88,670	(88,670)	-	-	-	-	-
Balance, December 31, 2022	**$44,950,354**	**$38,906,904**	**$414,219**	**$7,194,772**	**$20,007,724**	**$(1,949,470)**	**$(97,047,327)**	**$12,477,176**
Net loss for the year							(19,366,302)	(19,366,302)
Exchange differences on translation of foreign operations	-	-	-	-	-	(219,252)	-	(219,252)
Stock based compensation expense	-	-	-	-	230,658	-	-	230,658
Restricted share unit compensation	-	-	-	-	2,111	-	-	2,111
Issued pursuant to conversion of RSUs	22,844	-	-	-	(23,000)	-	-	(156)
Issued pursuant to business combinations	-	2,495,006	-	-	-	-	-	2,495,006
Shares issued to employees	403,779	-	(402,671)	-	-	-	-	1,108
Share exchange of restricted voting shares to common shares	8,949,573	(8,949,573)	-	-	-	-	-	-
Balance, December 31, 2023	**$54,326,550**	**$32,452,337**	**$11,548**	**$7,194,772**	**$20,217,493**	**$(2,168,722)**	**$(116,413,629)**	**$(4,379,651)**

SLANG Worldwide Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2023	2022
Cash flows used in operating activities			
Net loss from continuing operations		**$(19,366,302)**	$(29,461,242)
Items not affecting cash			
Impairment on long-term assets	15, 16	**524,992**	15,353,403
Depreciation and amortization	14, 15, 17	**2,323,467**	5,528,382
Depreciation - cost of sales		**611,568**	648,452
Expected credit losses	7	**44,798**	179,166
Share based payments	23	**1,048,867**	3,709,275
Gain on extinguishment of financial liabilities	13, 20	**-**	(198,809)
Fair value adjustment on derivative liabilities	22, 26	**(100,653)**	(4,646,676)
Unrealized gain on changes in fair value of biological assets	10	**(2,055,993)**	(1,798,832)
Realized fair value amounts included in inventory sold	9	**2,112,229**	2,975,842
Fair value adjustment on financial instruments	26	**833,637**	(3,384,027)
Inventory write-off	9	**240,173**	317,201
Interest income		**(105,447)**	(51,714)
Accretion expense	21, 22, 26	**7,932,322**	4,268,706
Interest expense	22, 26	**2,865,578**	2,598,292
Unrealized exchange loss		**(214,500)**	(595,800)
Gain on sale of Trētap assets	28	**(102,675)**	-
Loss (gain) on sale of capital and intangible assets	28	**(80,767)**	56,323
Loss on sale of assets and liabilities held for sale	28	**32,836**	-
Expenses related to acquisitions	5	**-**	1,494,575
Income tax expense	29	**1,599,548**	-
		(1,856,322)	(3,007,483)
Changes in non-cash working capital balances:			
Accounts payable and accrued liabilities		**(1,201,442)**	(1,160,602)
Accounts receivable		**649,487**	(211,177)
Prepaid and other deposits		**53,379**	386,881
Inventories		**1,463,036**	(556,983)
Contract liability		**1,646**	(871,093)
Other receivables		**(250,240)**	282,555
Income tax receivable		**-**	105,127
Biological assets		**(1,480,957)**	1,898,817
Cash flows used in operating activities - continuing operations		**(2,621,413)**	(3,133,958)
Cash flows used in operating activities - discontinued operations	25	**-**	(598,454)
Net cash used in operating activities		**(2,621,413)**	(3,732,412)
Cash flows used in financing activities			
Withholding taxes on shares issued to employees	23	**(815,145)**	(90,877)
Proceeds pursuant to new notes payable	20	**57,902**	-
Repayment of notes payable	20	**(60,555)**	(577,130)
Contributions from ERTC	18	**1,724,665**	-
Lease payments	21, 24	**(1,418,053)**	(1,282,453)
Cash flows used in financing activities - continuing operations		**(511,186)**	(1,950,460)
Cash flows used in financing activities - discontinued operations	25	**-**	(385,269)
Net cash used in financing activities		**(511,186)**	(2,335,729)

SLANG Worldwide Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2023	2022
Cash flows from (used in) investing activities			
Cash paid on acquisitions, including deferred cash consideration	19	**(334,201)**	(2,382,438)
Cash acquired through acquisitions	5	**-**	50,581
Transaction costs on asset acquisition	5	**-**	(521,482)
Repayments of notes receivable		**-**	1,021,064
Purchase of property, plant and equipment	14	**(297,550)**	(1,377,118)
Purchase of intangibles	15	**-**	(346,620)
Due from related parties	5	**-**	(83,825)
Additions to investments, fair value	12	**-**	(1,014,042)
Proceeds on sale of Trētap assets	28	**207,111**	-
Proceeds on disposal of assets and liabilities held for sale	28	**206,864**	-
Proceeds on disposal of property, plant and equipment	28	**665,004**	641,464
Cash flows from (used in) investing activities - continuing operations		**447,228**	(4,012,416)
Cash flows from investing activities - discontinued operations	25	**-**	246,339
Net cash from (used in) investing activities		**447,228**	(3,766,077)
Net decrease in cash		**(2,685,371)**	(9,834,218)
Exchange rate changes on foreign currency cash balances		**(198,600)**	922,955
Cash and restricted cash, beginning of year		**11,919,785**	20,831,048
Cash and restricted cash, end of year		**9,035,814**	11,919,785
Cash, end of year		**$5,056,764**	$7,848,935
Restricted cash, end of year	6	**$3,979,050**	$4,070,850

Supplemental cash flow information			
Income taxes paid		**$-**	$-
Interest paid		**$745,573**	$906,127
Other non-cash financing and investing activities			
Restricted voting shares issued on business combinations and asset acquisition	5, 23	**$2,495,006**	$177,692
Common shares issued on asset acquisitions	5	**$-**	$166,457
Common shares issued to employees	23	**$403,779**	$-
Common shares issued pursuant to conversion of RSUs	23	**$22,844**	$-

1. Nature of operations

Slang Worldwide Inc. formerly known as Fire Cannabis Inc., (the "Company") was incorporated on May 29, 2017 under the laws of Canada Business Corporations Act. On November 26, 2018, the Company filed articles of amendment to change its name to SLANG Worldwide Inc.

The Company's head office and principal address is located at 50 Carroll Street, Toronto, Ontario, M4M 3G3. The Company's registered and records office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 1A2. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol SLNG and is quoted on the OTC Markets ("OTCQB") under the symbol SLGWF. The Company is also quoted on the Frankfurt Stock Exchange under the trading symbol 84S.

The Company invests and operates in the cannabis industry through a portfolio of entities which provide cannabis products, brands, and services to the global market. The Company invests in entities that have a consumer centric product portfolio with brands that have widespread distribution.

The consolidated financial statements were approved by the Company's Board of Directors (the "Board") on April 11, 2024.

2. Basis of presentation

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2023 and 2022.

b) Basis of measurement

The Company's consolidated financial statements have been prepared on a historical cost basis except for biological assets and certain financial instruments which are measured at fair value.

c) Basis of consolidation

The consolidated financial statements for the years ended December 31, 2023 and 2022 comprise of the financial results of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are fully consolidated from the date that control commences and de-consolidated from the date control ceases. The consolidated financial statements of the Company include:

(Expressed in Canadian dollars)

2. Basis of presentation, continued

Name	2023	2022
Slang Colorado RE, Inc. (previously, The Purple Organization, Inc.)	100%	100%
National Concessions Group, Inc. ("NCG")	100%	100%
Slang Investments, Inc.	100%	100%
Slang Colorado Distribution, Inc. ("SCD")	100%	100%
Slang Oregon, Inc.	100%	100%
Slang Distribution, LLC (formerly LBA CBD, LLC) ("CBD")	100%	100%
CHC Laboratories, Inc. ("CHC")	100%	100%
Hydra Oregon, LLC (dba, Lunchbox Distribution) ("LBD")	100%	100%
Slang Colorado Cultivation, Inc. ("SCC")	100%	100%
Slang Colorado Manufacturing, Inc. ("SCM")	100%	100%
Slang NonPT Holdco, Inc.	100%	100%
Slang PT Holdco, Inc.	100%	100%
Slang Colorado, Inc.	100%	100%
Slang Colorado RE1, LLC	100%	100%
Slang Oregon Holdings, Inc.	100%	100%
Slang Vermont, Inc.	100%	100%
Champlain Valley Dispensary, Inc. ("CVD")	100%	100%
Ceres, LLC ("Ceres")	100%	100%
Oregon OV, LLC (*)	100%	100%
GNT Oregon, LLC ("GNT") (*)	100%	100%

(*) Acquired on April 12, 2022 (Note 5)

The non-operational dormant entities include Slang NonPT Holdco Inc., Slang PT Holdco Inc., Slang Vermont, Inc, Slang Oregon, Inc., Slang Colorado, Inc., Slang Colorado RE, Inc., CHC Laboratories, Inc., Slang Colorado Cultivation, Inc., Hydra Oregon, LLC, Slang Oregon Holdings, Inc., GNT Oregon, LLC, Oregon OV, LLC and Slang Investments, Inc.

The functional currency of the Company and Slang Investments, Inc. is the Canadian Dollar which is also the presentation currency of the consolidated financial statements. The functional currency of all other companies is the US dollar.

d) Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future, realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements.

As at December 31, 2023, the Company had a working capital deficit of $8,985,777 and the Company is generating negative cash flows from operating activities during the year ended December 31, 2023 of $2,621,413 and incurred a net loss and comprehensive loss of $19,585,554. In addition, the Company’s Convertible Note matures on November 15, 2024, refer to Note 22. The Company's accumulated losses, working capital deficit, net loss for the period, and maturity date of the Convertible Note are indicators of material uncertainty that may cast significant doubt about whether the Company will be able to support its operations and meet its obligations in the near term and continue as a going concern.

2. Basis of presentation, continued

The Company is actively mitigating this concern by evaluating a full range of strategic and financial alternatives, including, a potential business combination, sale, divestiture, acquisition, or merger involving our business or assets, restructuring, recapitalization, refinancing, or any other strategic transaction, in order to improve the Company's operations and cash position. In addition, the Company is focused on increasing revenue and at the same time exercising careful cost controls to generate profitable operations in the near term.

3. Summary of material accounting policies

Revenue

IFRS 15 applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is derived from the Company's manufactured wholesale and retail product sales and associated licensing fees, and interest income on loans.

Product revenue is recognized when control of the product has been transferred to the customer, which is typically upon delivery. The Company recognizes licensing revenue when the underlying product has been sold to the licensee, and the Company is entitled to its related fee based on the terms in the licensee.

Interest income is recognized based on the number of days the investment or loan was held during the year using the effective interest rate method.

Contract liabilities arise when the Company has received payments for goods not yet delivered to the customer based on the shipping terms.

Additionally, the Company has a customer loyalty program whereby customers are awarded points with in-store or online purchases. Once a customer achieves a certain point level, points can be used to pay for the purchase of product. Unredeemed awards are recorded as contract liabilities. At the time customers redeem points, the redemption is recorded as an increase to revenue.

Financial instruments

a) Financial assets

i) Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

3. Summary of material accounting policies, continued

ii) Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash, restricted cash, accounts receivable and other receivables.

- Fair value through other comprehensive income - assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss is comprised of investments.

- Designated at fair value through profit or loss – on initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company’s claim to cash flows, and any features that modify consideration for the time value of money.

3. Summary of material accounting policies, continued

iii) Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts and other receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether there has been a significant increase in credit risk since initial recognition or a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants.

For financial assets with significant increase in credit risk since initial recognition and financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Accounts receivable and expected credit loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of accounts receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

iv) Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

b) Financial liabilities

i) Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

3. Summary of material accounting policies, continued

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

ii) Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

iii) Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

c) Summary of the Company's classification and measurements of financial assets and liabilities

	Classification	Measurement
Cash	Amortized cost	Amortized cost
Restricted cash	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Investments	FVTPL	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	Fair value
Deferred cash consideration	FVTPL	Fair value
Contingent consideration	FVTPL	Fair value

Foreign currency translation

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net loss for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the consolidated statement of financial position date;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions) for the year or period presented;
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as a reserve for foreign currency translation.

3. Summary of material accounting policies, continued

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the foreign currency translation reserve.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to bring the asset to the location and condition necessary for its use in operations.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the consolidated statement of loss and comprehensive loss. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is computed using a straight-line basis over the following periods:

Office equipment	7 to 10 years
Equipment and machinery	2 to 10 years
Computer equipment and fixtures	2 to 5 years
Leasehold improvements	shorter of term of the lease or 20 years
Building and land improvements	20 to 25 years
Vehicles	5 years

Right-of-use assets and lease liability

The Company recognizes right-of-use assets and lease liabilities on the consolidated statement of financial position at lease inception date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any lease payments made in advance of the lease commencement date (net of incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates right-of-use assets on a straight-line basis over the shorter of the lease term or economic useful life. The Company also assesses right-of-use assets for impairment when such indicators exist.

At the inception date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company’s incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of loss and comprehensive loss.

3. Summary of material accounting policies, continued

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is re-measured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statement of loss and comprehensive loss immediately as a gain on bargain purchase.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Convertible debentures

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. These financial instruments are accounted for separately dependent on the nature of their components. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The convertible notes are considered to contain embedded derivatives. The embedded derivatives were measured at fair value upon initial recognition using the Black-Scholes valuation model and were separated from the debt component of the notes. The debt component of the notes was measured at residual value upon initial recognition. Subsequent to initial recognition, the embedded derivative components are re-measured at fair value at each reporting date while the debt components are accreted to the face value of the note using the effective interest rate through periodic charges to finance expense over the term of the note.

Share-based payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

3. Summary of material accounting policies, continued

Equity settled share-based payments under share-based payment plans are ultimately recognized as an expense in profit or loss with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Provisions and contingent liabilities

Provisions, where applicable, are recognized separately when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

i) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statement of financial position.

ii) Deferred tax

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and that at the time of the transaction, does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss except where they related to items that are recognized in other comprehensive income or directly in equity, in which case, related deferred tax is also recognized in other comprehensive income or equity, respectively.

3. Summary of material accounting policies, continued

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

Share capital

Common shares, restricted voting shares and share capital to be issued are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Contributed surplus includes amounts in connection with stock-based compensation and the value of expired options and warrants. Income tax relating to transaction costs of an equity transaction are recognized directly in equity.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in the loss per share calculations.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. In a period of losses, the options are excluded in the determination of dilutive net loss per share because their effect is antidilutive.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Amortization of intangible assets is measured on a straight-line bases over the following periods:

Proprietary technology and know how	5 years
Brands	5 to 10 years
Distributor and customer relationships	5 to 8 years
Licenses	10 years
Software	5 to 10 years

The estimated useful lives, residual values and amortization methods are reviewed at each year end and any changes in estimates are accounted for prospectively.

3. Summary of material accounting policies, continued

Inventories

Inventories of manufactured cannabis and non-cannabis finished goods are valued at the lower of cost and net realizable value. The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in extraction, packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of goods sold' on the consolidated statement of loss and comprehensive loss at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line on the face of the consolidated statement of loss and comprehensive loss. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The future realization of these inventories may be affected by market driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and profit or loss. Products for resale and component parts are valued at the lower of cost and net realizable value, with cost determined using the weighted average cost basis. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

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 finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations of the related period. The Company does not recognize the mother plants used for cloning the cannabis plants on the consolidated statement of financial position, since such plants are under the scope of IAS 16 – Property, Plant and Equipment, but have a useful life of less than one year.

The Company's biological assets are within the scope of IAS 41 Agriculture, and the direct and indirect costs of biological assets 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 and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of goods sold' on the consolidated statement of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position.

Assets and liabilities held for sale

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

3. Summary of material accounting policies, continued

Government grants

The Company recognizes government grants when there is reasonable assurance that the Company will comply with the conditions associated with the grant, and that the grant is received or will be received. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in the consolidated statements of loss and comprehensive loss of the period in which it becomes receivable.

Discontinued operations

A disposal group qualifies as discontinued operations if it is a component of an entity that has either been disposed of, or is classified as held for sale, and (i) represents a separate major line of business or geographical area of operations, (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) is a subsidiary acquired exclusively with a view to resale. If a disposal group that is abandoned meets the criteria of (i) to (iii) in the aforementioned, the entity shall present the results and cash flows of the disposal group as discontinued operations at the date on which it ceases to be used.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of loss and comprehensive loss have been restated and prior periods have been restated.

4. Significant accounting judgements and estimation uncertainties

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements relate to, but are not limited to the following:

Going concern

At the end of each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern and operate in the normal course by reviewing the Company's performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's assessment are derived from actual operating results along with industry and market trends.

The Company is actively mitigating its uncertainty to continue as a going concern by evaluating a full range of strategic and financial alternatives, including, a potential business combination, sale, divestiture, acquisition, or merger involving our business or assets, restructuring, recapitalization, refinancing, or any other strategic transaction, in order to improve the Company’s operations and cash position (Note 2d).

4. Significant accounting judgements and estimation uncertainties, continued

Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgement, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgemental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Biological assets

Biological assets, consisting of unharvested cannabis plants, are dependent upon estimates of future economic benefits resulting from past events to determine the fair value through an exercise of significant judgement by the Company. In estimating the fair value of its biological assets, the Company uses market observable data to the extent it is available. Biological assets are measured at fair value less costs to sell up to the point of harvest.

With respect to biological assets, where there is no active market for the unharvested produce, determination of the fair values of the biological assets requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to estimating the stage of growth of the cannabis plant, selling and other fulfillment costs, average selling prices and expected yields for the plants.

Impairment of goodwill

The values associated with goodwill involve significant estimates and assumptions, including those with respect to the determination of cash generating units, future cash inflows and outflows, discount rates and asset lives. At least annually, the carrying amount of goodwill is reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. These significant estimates require considerable judgement which could affect the Company’s future results if the current estimates of future performance and fair value change.

Determination of cash-generating units

The Company’s assets are aggregated into CGU’s. CGU’s are based on an assessment of the unit’s ability to generate independent cash inflows. The determination of these CGU’s is based on management’s judgement in regard several factors such as shared infrastructure, geographical proximity, exposure to market risk and materiality.

4. Significant accounting judgements and estimation uncertainties, continued

Impairment of long-lived assets

The Company evaluates the recoverability of long-lived assets, including property and equipment, right of use assets, and definite life intangible assets, whether events or changes in circumstances indicate that the carrying value of the asset, or asset group, may not be recoverable. When the Company determines that the carrying value of the long-lived asset may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimate of future discounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future discounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. Management judgement is required in the determination of indicators of impairment, as well as the estimation of future undiscounted cash flows, and as necessary, the fair value of those assets or asset groups in which indicators of impairment have been identified.

Share-based payments

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Income Taxes

The Company is subject to assessments by tax authorities, who may interpret tax legislation differently than the Company. When there is uncertainty over income tax positions, the Company assesses whether it is probable that the relevant tax authority will accept the uncertain tax position. This assessment affects the amount of income tax expense recognized by the Company. If the Company concludes that it is not probable that a tax authority will accept the uncertain tax position, the effect of the uncertain tax position is reflected in the determination of the Company's income tax expense or recovery based on the most likely amount or, if there are a wide range of possible outcomes, the expected value. Any interest and penalties related to unrecognized tax liabilities are presented within provision for income taxes within the consolidated statements of operations.

Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

4. Significant accounting judgements and estimation uncertainties, continued

Contingent consideration

Contingent consideration payable as the result of a business combination is recorded at the date of acquisition at fair value. The fair value of contingent consideration is subject to significant judgement and estimates. Subsequent changes to the fair value of contingent consideration are measured at each reporting date, with changes recognized through profit or loss.

Convertible debentures

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Management has made significant judgement with regards to the embedded derivatives, particularly in relation to the uncertainty of the anti-dilution provision in the convertible note financing (Note 22).

Accounting pronouncements issued which have come into effect during the reporting period.

The following accounting standards and amendments were effective for annual periods beginning on or after January 1, 2023 and did not have a material impact on the Company's financial statements:

i) Definition of Accounting Estimate — Amendments to IAS 8

ii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

iii) Insurance Contracts – IFRS 17

Accounting Pronouncements Issued but not yet effective:

i) Classification of liabilities as current or non-current (amendments to IAS 1, presentation of financial statements)

On January 23, 2020, an amendment was issued to IAS 1 to address inconsistencies with how entities apply the standards over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. This amendment is effective on January 1, 2024. The Company intends to adopt this amendment in its consolidated financial statement for the annual period beginning January 1, 2024. The Company is currently in the process of determining the impact of the amendment and expects that certain debt and other liabilities maybe classified as a current liability upon adoption.

ii) Non-current liabilities with covenants (amendments to IAS 1)

The amendments to IAS 1 specify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are to be applied retrospectively. The Company does not expect this amendment to have a material effect on the Company's financial statements.

(Expressed in Canadian dollars)

4. Significant accounting judgements and estimation uncertainties, continued

iii) Lack of exchangeability (amendments to IAS 21, the effects of changes in foreign exchange rates)

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify (i) when a currency is exchangeable into another currency; and (ii) how a company estimates a spot rate when a currency lacks exchangeability. This amendment is effective on January 1, 2025. The Company intends to adopt this amendment in its consolidated financial statement for the annual period beginning January 1, 2025. The Company does not expect this amendment to have a material effect on the Company's financial statements.

5. Asset acquisition

NS Holdings, Inc.

On April 12, 2022, the Company acquired 100% of the issued and outstanding capital stock of NS Holdings, Inc. ("NSH") by way of a merger with a dormant wholly owned subsidiary of the Company. NSH owns 100% of the issued and outstanding equity interests of GNT and Oregon OV, LLC (collectively, the "Acquired Companies"). The dormant subsidiary, Slang Oregon Holdings, Inc., was the surviving entity in the merger.

The following table summarizes the NSH asset acquisition:

Fair value of consideration transferred	
Common shares issued	$166,457
Restricted voting shares issued	177,692
Deposit on acquisition	172,076
Transaction costs	521,482
Settlement of pre-existing relationships, net	(59,626)
Total consideration transferred	$978,081
Recognized amounts of identifiable net assets	
Cash	$50,581
Other receivables and prepaid expenses	5,943
Property, plant and equipment	130,196
Right-of-use asset	423,942
Intangibles - licenses	9,589
Accounts payable and accrued liabilities	(160,372)
Lease liability	(417,073)
Notes payable	(559,300)
Total identifiable net liabilities	$(516,494)
Total expenses related to acquisition	$1,494,575

In June 2021, the Company issued 354,166 common shares and 531,249 restricted voting shares recorded as a deposit on acquisition. On acquisition date, April 12, 2022, the deposit was included as part of the consideration at its fair value of $172,076.

In addition to the deposit, as consideration for the outstanding NSH capital stock, the Company issued 708,326 common shares at $0.235 per share (based on quoted market price) and 1,062,490 restricted voting shares at $0.167 per share (based on an option pricing model) on April 12, 2022. A discount of 29% was applied to the restricted voting shares due to voting restrictions placed on these shares.

(Expressed in Canadian dollars)

5. Asset acquisition, continued

Pre-existing relationships

All related party balances with NS Holdings Inc. were settled at fair value as a pre-existing relationship on the acquisition of NS Holdings Inc. The fair value of the balances included $4,659,179 in notes receivable, $927,263 in notes payable (Note 20) and $3,791,542 in related party balances due to NSH by the Company.

Expenses related to acquisition

Under IFRS 3, Business Combinations, it was determined that the acquisition did not qualify as a business combination, and therefore, it was accounted for as an asset acquisition. Expenses related to acquisition represent consideration in excess of the fair value of net assets acquired. The remaining unidentifiable benefits did not meet the intangible asset criteria for capitalization; therefore, the Company recorded the excess amount of $1,494,575 in the consolidated statement of loss and comprehensive loss.

6. Restricted cash

On November 15, 2021, the Company entered into a loan transaction for aggregate gross proceeds of US$17,319,588 (Note 22, Convertible Note Financing). Under the terms of the agreement, the Company shall maintain a minimum aggregate cash balance until maturity of US$3,000,000 (equivalent to $3,979,050 and $4,070,850 at December 31, 2023 and 2022, respectively). As at December 31, 2023, restricted cash has been classified as a current asset on the consolidated statement of financial position as the cash is restricted from being used to settle the Company's liabilities and the convertible note financing matures in less than 12 months after the reporting period.

7. Accounts receivable

	Notes	December 31, 2023	December 31, 2022
Accounts receivable		**$2,043,693**	$2,867,886
Expected credit losses	33	**(125,882)**	(209,332)
		$1,917,811	$2,658,554

8. Other receivables

	December 31, 2023	December 31, 2022
Indirect tax receivable	**$224,464**	$154,782
Other receivables	**179,549**	19,563
	$404,013	$174,345

(Expressed in Canadian dollars)

9. Inventories

	December 31, 2023	December 31, 2022
Finished goods - cannabis	**$1,360,772**	$2,044,902
Finished goods - non-cannabis	**802,597**	762,507
Raw materials - cannabis	**1,857,699**	514,432
Raw materials - non-cannabis	**519,107**	225,597
Work-in-progress - cannabis	**1,631,206**	2,921,354
	$6,171,381	$6,468,792

The Company provides for slow-moving inventory, not expected to be consumed or realized in cash in its normal operating cycle. At December 31, 2023 and 2022, no slow-moving inventory was recognized. Inventory is also periodically reviewed for potential obsolescence, and the Company writes down inventory based on its assessment of market conditions. During the year ended December 31, 2023 an inventory write down of $240,173 (2022 - $317,201) was recognized within cost of goods sold on the consolidated statement of loss and comprehensive loss. As at December 31, 2023 and 2022 there were no indications that the net book value of inventories exceeded the net realizable value and no write down was required at December 31, 2023 and 2022.

During the year ended December 31, 2023, the total inventory expensed through cost of goods sold was $16,436,757 (2022 - $19,912,770). Realized fair value adjustments included in inventory sold was $2,112,229 for the year ended December 31, 2023 (2022 - $2,975,842).

10. Biological assets

The Company's biological assets consist of 843 cannabis plants, excluding clones, at December 31, 2023 (2022 – 1,142). The reconciliation of biological assets is as follows:

	December 31, 2023	December 31, 2022
Opening balance	**$610,024**	$668,149
Increase in fair value due to biological transformation	**2,055,993**	1,798,832
Capitalized costs	**1,480,957**	1,257,506
Transferred to inventories upon harvest	**(3,731,676)**	(3,156,323)
Currency translation	**(10,388)**	41,860
Ending balance	**$404,910**	$610,024

The Company's biological assets consist of unharvested cannabis plants and are presented at their fair values less costs to sell up to the point of harvest. The fair value measurements for biological assets have been categorized as Level 3 in the fair value hierarchy based on the inputs to the valuation technique used. The fair value was determined using a market approach where fair value at the point of harvest is estimated based on future selling prices less the costs to sell at harvest. For in-process biological assets, the estimated fair value at the point of harvest is adjusted based on the plants' stage of growth, which is determined by reference to days remaining to harvest over the average growth cycle.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

(Expressed in Canadian dollars)

10. Biological assets, continued

Dry Bud

The dry bud valuation model utilizes the following significant assumptions.

	Inputs as on	
Significant assumptions	**December 31, 2023**	December 31, 2022
Estimated selling price	**$8.85/gram**	$5.42/gram
Expected yields for cannabis plants (average grams per plant)	**72.68**	77.75
Post-harvest cost to complete and sell	**$1.81/gram**	$0.75/gram

Trim for Extraction

The trim for extraction valuation model utilizes the following significant assumptions:

	Inputs as on	
Significant assumptions	**December 31, 2023**	December 31, 2022
Estimated selling price	**$7.55/gram**	$2.85/gram
Expected yields for cannabis plants (average grams per plant)	**138.27**	129.68
Post-harvest cost to complete and sell	**$1.96/gram**	$0.07/gram

The average selling price per gram, expected yield per plant, and post-harvest cost to complete and sell reflect the associated selling price per gram of dried cannabis flower and trim, the conversion of cannabis plants into dried flower and trim and the post-harvest production and selling costs of dried flower and trim for the year ended December 31, 2023.

During 2023, the Company determined the estimated selling price based on the Company's actual selling prices of packaged dried cannabis flower and extraction-based finished goods, taking into consideration historical data and a time period that reflects current market conditions. During 2022, the estimated selling price was determined based on the average selling price of dried cannabis flower and trim in the Vermont market.

The following table presents the potential effect of a 10% change in any of the significant assumptions, on the fair valuation of biological assets at December 31, 2023 and 2022 which would be reported as part of the gross profit (loss) on the statement of loss and comprehensive loss:

	December 31, 2023	December 31, 2022
Estimated selling price	**$40,630**	$49,149
Expected yields for cannabis plants (average grams per plant)	**$17,162**	$44,956

11. Prepaid and other deposits

At December 31, 2023 and 2022, prepaid expenses constitute deposits on future purchases of inventory and deposits for goods and services, primarily related to insurance, rent, and software subscriptions, that have yet to be received at year end

12. Investment, at fair value

On January 11, 2022, the Company entered into a loan in the amount of US$50,000 with Woah Flow, LLC (“Borrower”). The loan was amended on March 2, 2022, updating the loan limit amount to a maximum of US$3,000,000 (the “Amended Grid Note”). The loan is convertible to 70% of the membership interests in the Borrower and as such, has been measured at fair value through profit or loss. During the year ended December 31, 2023, the Company made principal advances of $Nil (2022 - US$780,338 equivalent to $1,014,042). Furthermore, during the year ended December 31, 2023, $105,447 (2022 - $51,714) of interest income, and $27,016 of foreign exchange loss (2022 – gain of $45,879) was recognized in the consolidated statement of loss and comprehensive loss. The Company assessed the market conditions and expectations of future cash flow concluding that the fair value of the convertible loan at December 31, 2023, was $Nil (2022 - $1,111,635). The changes in fair value amounting to $1,190,066 were included in financing cost and fair value adjustment (Note 26).

13. Investment in associate

The Company holds a 20% ownership share in Agripharm Corp. (“Agripharm”), a licensed producer located in Creemore, Ontario. The carrying value of the investment for the year ended December 31, 2023 and 2022 was $Nil. The Company also provided a financial guarantee to a third-party lender on behalf of Agripharm. The financial guarantee was limited to the value of the Company’s ownership interest in Agripharm and was discharged subsequent to the year end upon assignment of the related ownership interest (Note 34).

(Expressed in Canadian dollars)

14. Property, plant and equipment

	Notes	Office equipment	Equipment and machinery	Computer equipment and fixtures	Leasehold improvements	Vehicles	Building and land improvements	Construction in progress	Total
Cost									
Balance, December 31, 2022		$205,103	$1,985,199	$85,391	$722,908	$28,348	$989,668	$56,771	$4,073,388
Additions		6,216	169,203	1,325	120,806	-	-	-	297,550
Disposals		(6,216)	(41,919)	-	(36,715)	-	(647,856)	-	(732,706)
Transfers		-	-	-	56,468	-	-	(56,468)	
Currency translation		(4,625)	(46,969)	(1,949)	(18,734)	(639)	(11,110)	(303)	(84,329)
Balance, December 31, 2023		**$200,478**	**$2,065,514**	**$84,767**	**$844,733**	**$27,709**	**$330,702**	**$-**	**$3,553,903**
Accumulated depreciation									
Balance, December 31, 2022		$141,426	$867,428	$56,671	$153,183	$18,032	$92,507	$-	$1,329,247
Depreciation expense		31,970	286,894	11,778	131,601	7,352	42,741	-	512,336
Disposals		(2,591)	(34,366)	-	(1,377)	-	(110,136)	-	(148,470)
Currency translation		(3,679)	(23,884)	(1,479)	(5,708)	(534)	(920)	-	(36,204)
Balance, December 31, 2023		**$167,126**	**$1,096,072**	**$66,970**	**$277,699**	**$24,850**	**$24,192**	**$-**	**$1,656,909**
Net book value, December 31, 2023		**$33,352**	**$969,442**	**$17,797**	**$567,034**	**$2,859**	**$306,510**	**$-**	**$1,896,994**

	Notes	Office equipment	Equipment and machinery	Computer equipment and fixtures	Leasehold improvements	Vehicles	Building and land improvements	Construction in progress	Total
Cost									
Balance, December 31, 2021		$191,623	$1,193,164	$55,549	$507,511	$26,485	$608,543	$-	$2,582,875
Additions		-	787,377	28,679	179,885	-	324,406	56,771	1,377,118
Additions on asset acquisition	5	-	130,196	-	-	-	-	-	130,196
Disposals		-	(241,131)	(3,812)	(7,573)	-	-	-	(252,516)
Currency translation		13,480	115,593	4,975	43,085	1,863	56,719	-	235,715
Balance, December 31, 2022		**$205,103**	**$1,985,199**	**$85,391**	**$722,908**	**$28,348**	**$989,668**	**$56,771**	**$4,073,388**
Accumulated depreciation									
Balance, December 31, 2021		$92,014	$659,782	$43,673	$55,797	$6,456	$54,769	$-	$912,491
Depreciation expense		41,171	280,673	12,214	90,270	10,665	32,491	-	467,484
Disposals		-	(130,843)	(2,700)	(1,456)	-	-	-	(134,999)
Currency translation		8,241	57,816	3,484	8,572	911	5,247	-	84,271
Balance, December 31, 2022		**$141,426**	**$867,428**	**$56,671**	**$153,183**	**$18,032**	**$92,507**	**$-**	**$1,329,247**
Net book value, December 31, 2022		**$63,677**	**$1,117,771**	**$28,720**	**$569,725**	**$10,316**	**$897,161**	**$56,771**	**$2,744,141**

(Expressed in Canadian dollars)

15. Intangible assets

	Notes	Proprietary technology and know how	Brands	Distributor and customer relationships	Licenses	Software	Total
Cost							
Balance, December 31, 2022		$8,941,376	$25,914,368	$10,426,163	$1,175,943	$554,035	$47,011,885
Disposals		-	(41,382)	-	(739)	-	(42,121)
Impairment		-	(390,022)	-	(134,970)	-	(524,992)
Currency translation		(201,634)	(576,920)	(235,116)	(24,170)	-	(1,037,840)
Balance, December 31, 2023		**$8,739,742**	**$24,906,044**	**$10,191,047**	**$1,016,064**	**$554,035**	**$45,406,932**
Accumulated amortization							
Balance, December 31, 2022		$8,905,121	$21,057,295	$7,137,611	$185,552	$18,468	$37,304,047
Amortization expense		18,031	870,762	545,164	116,892	110,808	1,661,657
Disposals		-	(11,795)	-	(739)	-	(12,534)
Currency translation		(201,128)	(489,714)	(170,389)	(6,194)	-	(867,425)
Balance, December 31, 2023		**$8,722,024**	**$21,426,548**	**$7,512,386**	**$295,511**	**$129,276**	**$38,085,745**
Net book value, December 31, 2023		**$17,718**	**$3,479,496**	**$2,678,661**	**$720,553**	**$424,759**	**$7,321,187**

During the year ended December 31, 2023, the Company recognized an impairment loss of $524,992. This impairment loss was driven by decline in expected revenue and earnings compared to previous projections relating to the O.pen and CeresMED brands. The SCD licenses associated with the building disposed of in December 2023 (see Note 28) were also impaired in December 2023. In 2024, they were surrendered to the authorities.

The fair value less costs of disposal of the brands was determined using a relief from royalty method utilizing the following key inputs: royalty rates ranging from 2.24% to 8.91% and discount rates ranging from 22.5% to 27%.

An increase (decrease) of 1% in the royalty rate utilized in valuing the brands would have resulted in a decrease (increase) in impairment of $388,718 ($456,186). An increase (decrease) of 1% in the discount rate utilized in valuing the brands would have resulted in an increase (decrease) in impairment of $164,295 ($164,555).

(Expressed in Canadian dollars)

15. Intangible assets, continued

	Notes	Proprietary technology and know how	Brands	Distributor and customer relationships	Licenses	Software	Total
Cost							
Balance, December 31, 2021		$9,349,251	$33,965,025	$11,237,789	$1,097,991	$207,415	$55,857,471
Additions on asset acquisition	5	-	-	-	9,589	-	9,589
Additions		-	-	-	-	346,620	346,620
Impairment		(1,021,456)	(10,009,377)	(1,535,921)	(9,276)	-	(12,576,030)
Currency translation		613,581	1,958,720	724,295	77,639	-	3,374,235
Balance, December 31, 2022		**$8,941,376**	**$25,914,368**	**$10,426,163**	**$1,175,943**	**$554,035**	**$47,011,885**
Accumulated amortization							
Balance, December 31, 2021		$7,348,347	$17,005,045	$5,645,928	$62,869	$-	$30,062,189
Amortization expense		997,242	2,738,907	1,049,617	113,403	18,468	4,917,637
Currency translation		559,532	1,313,343	442,066	9,280	-	2,324,221
Balance, December 31, 2022		**$8,905,121**	**$21,057,295**	**$7,137,611**	**$185,552**	**$18,468**	**$37,304,047**
Net book value, December 31, 2022		**$36,255**	**$4,857,073**	**$3,288,552**	**$990,391**	**$535,567**	**$9,707,838**

During the year ended December 31, 2022, the Company recognized an impairment loss of $12,576,030 on various intangible assets. This impairment loss was mainly driven by declines in expected revenue and earnings compared to previous projections relating to the Open, Firefly, Lunchbox Alchemy and CeresMED brands and the Company's associated proprietary technology & know-how. Further factors included the termination of a distributor contract resulting in the impairment of a distributor relationship and the discontinuation of certain products which had adverse effects on the value attributable to Colorado wholesale customer relationships.

The fair value less costs of disposal of the proprietary technology and know-how and brands was determined using a relief from royalty method utilizing the following key inputs: royalty rates ranging from 3% to 10.5% and discount rates ranging from 21% to 25.5%. Distributor and customer relationships were valued utilizing a multi-period excess earnings method utilizing a discount rate of 25.5%. An increase (decrease) of 1% in the royalty rate utilized in valuing the brands and proprietary technology and know-how would have resulted in a decrease (increase) in impairment of $518,705 ($508,705). An increase (decrease) of 1% in the discount rate utilized in valuing the brands and proprietary technology and know-how would have resulted in an increase (decrease) in impairment of $177,034 ($193,139).

An increase (decrease) of 1% in the discount rate utilized in valuing the distributor and customer relationships would not have resulted in any additional impairment.

(Expressed in Canadian dollars)

16. Goodwill

	CBD CGU	SCM CGU	CVD & Ceres CGU	Total
Balance, December 31, 2021	$299,907	$342,538	$1,938,857	$2,581,302
Impairment	-	-	(1,989,780)	(1,989,780)
Currency translation	21,089	24,087	50,923	96,099
Balance, December 31, 2022	**$320,996**	**$366,625**	**$-**	**$687,621**
Currency translation	(7,238)	(8,268)	-	(15,506)
Balance, December 31, 2023	**$313,758**	**$358,357**	**$-**	**$672,115**

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. The Company allocated goodwill to its businesses based on the business units segregated by geographical location of the entity to which the goodwill is attributable, as this represented the lowest level at which management monitored goodwill. The recoverable amount of the CGUs was determined using the value in use approach, using level 3 inputs in a discounted cash flow ("DCF") model. The significant assumptions applied in the determination of the recoverable amount are described as follows:

- Cash flows: Estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends;
- Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Pre-tax discount rate: The pre-tax discount rate is reflective of current market assessments of the time value of money and the risks specific to the CGU.

The key assumptions used in the estimation of the recoverable amount for each CGU are set out in the schedules below:

December 31, 2023	CBD CGU	SCM CGU	CVD & Ceres CGU
Discount rate	30.00%	26.00%	27.00%
Terminal value growth rate	2.00%	2.00%	2.00%
Forecasted sales growth rate (average)	12.50%	2.00%	2.00%

December 31, 2022	CBD CGU	SCM CGU	CVD & Ceres CGU
Discount rate	30.00%	26.00%	30.00%
Terminal value growth rate	2.00%	2.00%	2.00%
Forecasted sales growth rate (average)	8.80%	5.00%	2.50%

CBD CGU goodwill impairment

At December 31, 2023, the estimated recoverable amount of CBD's CGU exceeded its carrying value resulting in no impairment (2022 – no impairment). An increase (decrease) of 1% to the discount rate or the forecasted sales growth rate used in 2023 would not have resulted in any impairment.

SCM CGU goodwill impairment

At December 31, 2023, the estimated recoverable amount of SCM's CGU exceeded its carrying value resulting in no impairment (2022 – no impairment). An increase (decrease) of 1% to the discount rate or the forecasted sales growth rate used in 2023 would not have resulted in any impairment.

(Expressed in Canadian dollars)

16. Goodwill, continued

CVD & Ceres CGU impairment

At December 31, 2023, the estimated recoverable amount of the CGU exceeded its carrying value resulting in no impairment (2022 – impairment loss of $1,989,783). An increase (decrease) of 1% to the discount rate or the forecasted sales growth rate used in 2023 would not have resulted in any impairment.

17. Right-of-use assets

	Notes	December 31, 2023	December 31, 2022
Cost			
Opening balance		**$6,083,767**	$5,143,877
Additions from asset acquisition	5	**-**	423,942
Additions due to modifications		**103,952**	512,829
Additions		**38,710**	-
Termination of leases		**-**	(31,298)
Impairment		**-**	(368,286)
Currency translation		**(139,663)**	402,703
Closing balance		**$6,086,766**	$6,083,767

	December 31, 2023	December 31, 2022
Accumulated amortization		
Opening balance	**$(1,409,446)**	$(656,751)
Additions due to modifications	**-**	85,282
Depreciation	**(761,041)**	(791,713)
Termination of leases	**-**	28,186
Currency translation	**44,955**	(74,450)
Closing balance	**$(2,125,532)**	$(1,409,446)
Net book value	**$3,961,234**	$4,674,321

18. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2023	December 31, 2022
Accounts payable	**$2,429,049**	$2,607,365
Accrued liabilities	**1,450,301**	2,345,625
Government grants	**1,724,665**	-
Government remittances	**339,950**	574,176
	$5,943,965	$5,527,166

The comparative figures in the consolidated statements of financial position have been reclassified to conform to current year presentation. As a result, accrued interest of $95,574 was reclassified from accounts payable and accrued liabilities to notes payable (Note 20).

(Expressed in Canadian dollars)

18. Accounts payable and accrued liabilities, continued

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law, providing numerous tax provisions and other stimulus measures, including the Employee Retention Tax Credit ("ERTC"), a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERTC and the Company applied for the ERTC in the first three quarters of 2021. Various Company subsidiaries filed for the ERTC with the Internal Revenue Service ("IRS") in April 2023 and during the year the funds were received. As a government grant is recognized as income when there is reasonable assurance all related conditions will be complied with, the Company recognized the total amount as a liability in the consolidated statements of financial position as at December 31, 2023.

19. Contingent and deferred cash consideration

Contingent consideration is summarized as follows:

On February 13, 2023, the Company issued an aggregate of 100,167,654 restricted voting shares at a fair value of $2,495,006 to the former shareholders of High Fidelity, Inc. ("HiFi"), as post-closing additional consideration in connection with the Vermont regulators issuing a retail marijuana license to the Company on September 28, 2022. During the year ended December 31, 2023, a fair value gain of $356,429 (2022 - $4,288,815) was recorded in financing cost and fair value adjustment in the consolidated statement of loss and comprehensive loss (Note 26) and the balance of $2,495,006 was transferred to share capital upon settlement.

Deferred cash consideration is summarized as follows:

	December 31, 2023	December 31, 2022
Opening balance	**$339,238**	$2,493,332
Payment	**(334,201)**	(2,382,438)
Foreign currency exchange loss (gain)	**(5,037)**	228,344
	$-	$339,238

On January 25, 2023, the Company paid US$250,000 (CAD$334,201) in deferred cash consideration related to the acquisition of HiFi.

20. Notes payable

The following transactions occurred on the notes for the years ended December 31, 2023 and 2022:

	Notes	**December 31, 2023**	December 31, 2022
Opening balance		**$915,038**	$1,767,106
Addition		**57,902**	-
Notes assumed on asset acquisition	5	**-**	559,300
Settlement of pre-existing relationship on asset acquisition	5	**-**	(927,263)
Repayments		**(60,555)**	(572,215)
Gain on extinguishment	26	**-**	(117,342)
Accrued interest		**77,343**	162,267
Currency translation		**(21,944)**	43,185
		967,784	915,038
Less: current portion		**(77,847)**	(59,583)
		$889,937	$855,455

(Expressed in Canadian dollars)

20. Notes payable, continued

Estimated principal repayments are as follows:

Less than 1 year	**$76,279**
One year	**$725,656**
Two years	**$5,521**
	$807,456

The comparative figures in the consolidated statements of financial position have been reclassified to conform to current year presentation. As a result, accrued interest of $95,574 was reclassified from accounts payable and accrued liabilities to notes payable (Note 18).

Prior to the acquisition of HiFi by the Company, HiFi entered into various note agreements, which were assumed by the Company on the acquisition of HiFi. These notes are outlined below:

Convertible promissory note agreements with two third parties for a total principal amount of US$50,000. The conversion options expired March 12, 2021. The notes are unsecured, bear interest at 10% per annum, and mature on May 14, 2025. The balance of these notes total $30,412 at December 31, 2023 (2022 - $44,562), with $19,070 presented in current portion of notes payable (2022 - $21,936).

Promissory note agreement with a third party for a total principal amount of US$40,400. The note is secured, bears interest at 6% per annum, and matured on October 20, 2022. The balance of this note was repaid fully in 2022.

Convertible promissory note agreement with a third party for a total principal amount of US$50,000. The conversion option expired March 12, 2021. The note is unsecured, bears interest at 10% per annum, and matures March 11, 2026. The balance of this note is $33,942 at December 31, 2023 (2022 - $47,832), with $14,151 presented in current portion of notes payable (2022 - $13,106).

Promissory note agreement with a third party for a total principal amount of US$50,000. The note is secured by equipment of the Company, bears interest at 10% per annum, and matured on July 1, 2023. The balance of this note was $9,763 at December 31, 2022, and was repaid fully in 2023.

Promissory note agreement with a third party for a total principal amount of US$41,456. The note is secured by equipment of the Company, bears interest at 6% per annum, and matured on June 14, 2023. The balance of this note was $4,843 at December 31, 2022, and was repaid fully in 2023.

Promissory note agreement with a third party for a total principal amount of US$27,232. The note is unsecured, bears interest at 3.75% per annum, and matures June 15, 2025. The balance of this note is $12,033 at December 31, 2023 (2022 - $19,829), with $7,631 (2022 - $7,520) presented in current portion of notes payable.

Promissory note agreement with a third party for a total principal amount of US$25,213. The note is secured by equipment of the Company, bears interest at 2.99% per annum, and matured August 30, 2023. The balance of this note was repaid fully in 2022.

On November 11, 2021, the Company amended four unsecured promissory note agreements with a former majority shareholder of HiFi. The amendment combined the outstanding balance to one agreement and modified various loan terms. Under the new terms of the note, the maturity date was extended to June 30, 2025 and the outstanding interest of 10% per annum and the principal amount is due at maturity. On amendment, the outstanding principal and interest was US$510,435 and US$9,219, respectively. As at December 31, 2023, the outstanding balance of the loan was $677,015 (2022 - $692,635). For the year ended December 31, 2023 interest expense of $68,893 (2022 - $66,421) was recorded in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

20. Notes payable, continued

On November 1, 2023, the Company entered into an unsecured promissory note agreement with a third party for a total of US$42,900. The note bears interest at 6.75% per annum and matures on June 1, 2025. The balance of this note is $54,054 at December 31, 2023, with $35,427 presented in current portion of notes payable.

Prior to the acquisition of NSH by the Company, NSH entered into a promissory note agreement with a third party. The note bears interest at 18% per annum. The note had already matured prior to acquisition of NSH. The total fair value of the loan amounted to US$443,291 (CAD - $559,300) at acquisition date (Note 5). In September 2022, a settlement agreement was reached between the Company and the third party, resulting in a repayment of the loan of US$388,522 (CAD$500,650). A gain on extinguishment of $117,342 was recorded in the consolidated statement of loss and comprehensive loss (Note 26).

21. Lease liabilities

	Notes	December 31, 2023	December 31, 2022
Opening balance		**$5,826,904**	$4,952,295
Additions from asset acquisition	5	**-**	417,073
Additions due to modifications		**103,958**	586,661
Additions		**38,710**	-
Lease payments		**(1,341,690)**	(1,174,318)
Accretion expense	26	**713,934**	670,681
Termination of leases		**-**	(8,413)
Currency translation		**(123,017)**	382,925
Closing balance		**$5,218,799**	$5,826,904

Current and long-term portions of the lease liabilities and the contractual undiscounted maturity analysis at December 31, 2023 are as follows:

Current	$753,321
Long-term	$4,465,478
Maturity analysis - undiscounted cash flows	
Less than one year	$1,374,618
One year	1,355,308
Two years	1,205,085
Three years	1,079,658
Four years	1,032,044
Five years and beyond	1,401,950
	$7,448,663

(Expressed in Canadian dollars)

22. Derivative liabilities

Purple Note 1

On April 30, 2018, the Company issued a 4-year, 4% unsecured convertible promissory note to The Purple Company Inc. in the amount of US$1,843,031 (CAD$2,444,504) (the “Purple Note 1”) to exchange an existing loan to Slang Colorado RE, Inc. The Company has the right to prepay all or a portion of the amount due under the Purple Note 1 any time. The Purple Company Inc. has the right to convert the principal amount outstanding under the Purple Note 1 into common shares of the Company, at a conversion price of CAD$1.20 per share, on thirty (30) days’ written notice.

The conversion option represents an embedded derivative which meets the definition of a financial liability as the transaction is denominated in a currency other than the Company’s functional currency.

Accordingly, the embedded derivative was bifurcated and recorded at fair value on initial recognition and at the end of each reporting period. The host contract is a financial liability that is stated at amortized cost using the effective interest method.

On November 1, 2021, the Company entered into an amended agreement to modify Purple Note 1. Under the terms of the agreement, the maturity date was extended to January 31, 2025, and all amounts owing, including interest, is due at maturity.

At December 31, 2023 the Company estimated the fair value of the derivative liability as $13,012 (2022 - $15,693). The amortized cost of the host contract at December 31, 2023 is $2,056,748 (2022 - $1,806,364). The loan is accreted using an effective interest rate of 20.87%. The fair value adjustment to the derivative liability for the year ended December 31, 2023 resulted in a fair value gain of $2,681 (2022 –$288,300) recorded in financing cost and fair value adjustment in the consolidated statement of loss and comprehensive loss (Note 26).

Interest, accretion expense and foreign exchange gain on the convertible note for the year ended December 31, 2023 of $106,295, $296,581 and $50,843, respectively (2022 - $98,757, $237,060 and loss of $116,234) was recorded in the consolidated statement of loss and comprehensive loss (Note 26). At December 31, 2023, accrued interest totaled $220,681 (2022 - $119,032). The fair value of the derivative liability at December 31, 2023 and December 31, 2022, was estimated using Black-Scholes valuation model based on the following assumptions:

	December 31, 2023	December 31, 2022
Share price	**$0.04**	$0.04
Stock price volatility	**228%**	147%
Expected life of the derivative liability	**1.09 years**	2.09 years
Risk free rate	**3.91%**	4.06%

Inter-relationship between key unobservable inputs and fair value measurement at December 31, 2023:

- If the share price was lower (higher) by 10%, the fair value would decrease (increase) by $2,066 ($2,180).
- If the volatility was lower (higher) by 10%, the fair value would decrease (increase) by $4,909 ($5,672).

(Expressed in Canadian dollars)

22. Derivative liabilities, continued

Convertible Note Financing

On November 15, 2021, the Company entered into a convertible note for aggregate gross proceeds of US$17,319,588. The convertible note was subject to an original issue discount of 3% and has a three-year term and a paid in kind ("PIK") interest rate of 9.75%, compounded quarterly, with the entire outstanding balance, including interest, becoming due and payable on the third anniversary of the transaction (November 15, 2024). Additionally, the Company will pay the lenders a maturity fee in an amount equal to US$3,637,113 on the earlier of: (i) the maturity date; and (ii) any date of prepayment of the initial loan amount. In addition, the Company has granted the lenders an option to, at any time on or prior to the maturity date, convert any portion of the convertible note or maturity fee into common shares at a price per common share equal to US$0.7638. The convertible note is secured by a first secured ranking on the assets of the Company, guaranteed on a senior secured basis by certain Company subsidiaries.

The conversion option represents an embedded derivative which meets the definition of a financial liability as the transaction is denominated in a currency other than the Company's functional currency. Accordingly, the embedded derivative was bifurcated and recorded at fair value on initial recognition and at the end of the reporting period. The host contract is a financial liability that is stated at amortized cost using the effective interest method.

The Company estimated the fair value of the conversion option as $15,402,032 on November 15, 2021 (issuance date) and assigned a value of $5,626,537 to the host contract, net of debt issuance costs of $236,466. At December 31, 2023 the Company estimated the fair value of the derivative liability as $106,894 (2022 - $204,866). The amortized cost of the host contract at December 31, 2023 is $16,098,753 (2022 - $9,549,868). The loan is accreted using an effective interest rate of 77.01%. During the year ended December 31, 2023, a fair value gain of $97,972 (2022 - $4,358,376) was recorded in financing cost and fair value adjustments in the consolidated statement of loss and comprehensive loss (Note 26).

Interest, accretion expense and foreign exchange gain on the convertible note for year ended December 31, 2023 of $2,681,940, $6,890,168 and $452,459, respectively (2022 - $2,362,213, $3,307,827 and loss of $613,705), was recorded in the consolidated statement of loss and comprehensive loss (Note 26). At December 31, 2023, accrued interest totaled $5,304,393 (2022 - $2,733,629).

The fair value of the derivative liability at December 31, 2023 and December 31, 2022, was estimated using Black-Scholes valuation model based on the following assumptions:

	December 31, 2023	December 31, 2022
Share price	**$0.04**	$0.04
Stock price volatility	**202%**	151%
Expected life of the derivative liability	**0.88 years**	1.88 years
Risk free rate	**3.91%**	4.06%

Inter-relationship between key unobservable inputs and fair value measurement at December 31, 2023:

- If the share price was lower (higher) by 10%, the fair value would decrease (increase) by $19,026 ($20,475).
- If the volatility was lower (higher) by 10%, the fair value would decrease (increase) by $45,480 ($56,875).

(Expressed in Canadian dollars)

23. Share capital

Authorized:

Unlimited number of Class A preferred shares
Unlimited number of common shares
Unlimited number of restricted voting shares

There are no outstanding Class A preferred shares at December 31, 2023 and December 31, 2022.

Each restricted voting share may be converted to one common share, without payment of additional consideration if the following conditions are met: (a) conversion is not during a restricted period as determined by the Board; (b) following the date that is the three-year anniversary of the date of issuance of such restricted voting shares; and (c) with the consent of the Board. The restricted voting shares carry no entitlement for the holder thereof to vote for the election or removal of directors of the Company.

The continuity of common and restricted shares as well as shares to be issued are as follows:

	Notes	Number of common shares	Common share capital	Number of restricted voting shares	Restricted voting share capital
Balance, December 31, 2021		69,128,391	$31,322,953	23,753,299	$48,408,216
Issued pursuant to consulting agreements		6,759,855	587,966	14,948,720	2,103,520
Share exchange of restricted voting shares to common shares		5,519,339	11,871,194	(5,519,339)	(11,871,194)
Issued pursuant to asset acquisition	5	708,326	166,457	1,062,490	177,692
Issued pursuant to conversion of RSUs		360,092	971,784	-	-
Shares issued to employees		237,777	30,000	-	-
Issued pursuant to business combinations		-	-	109,649	88,670
Balance, December 31, 2022		**82,713,780**	**$44,950,354**	**34,354,819**	**$38,906,904**
Issued pursuant to conversion of RSUs		3,873	22,844	-	-
Issued pursuant to business combinations	19	-	-	100,167,654	2,495,006
Shares issued to employees		10,472,261	403,779	-	-
Share exchange of restricted voting shares to common shares		4,077,656	8,949,573	(4,077,656)	(8,949,573)
Balance, December 31, 2023		**97,267,570**	**$54,326,550**	**130,444,817**	**$32,452,337**

2023

Issued pursuant to business combinations

On February 13, 2023, the Company issued an aggregate of 100,167,654 restricted voting shares at a fair value of $2,495,006 to the former shareholders of HiFi, as post-closing additional consideration in connection with the Vermont regulators issuing a retail marijuana license to the Company on September 28, 2022 (Note 19).

Shares issued to employees

Under an employment agreement with an executive of the Company, the Company recorded $289,862 in share capital to be issued during the year ended December 31, 2023. Under the same employment agreement, the Company issued 7,525,504 common shares at a value of $256,443, net of withholding taxes, during the year ended December 31, 2023.

Under an employment agreement with an executive of the Company, the Company issued 2,946,757 common shares at a value of $147,338, net of withholding taxes, during the year ended December 31, 2023.

23. Share capital, continued

Under an employment agreement, the Company recorded $11,548 in share capital to be issued during the year ended December 31, 2023.

2022

Issued pursuant to consulting agreements

On January 7, 2022, the Company issued 851,158 restricted voting shares under a consulting agreement with a third party. The shares had been recorded as share capital to be issued totalling $507,120 at December 31, 2021. An equal amount was recorded as share-based payments in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2021. Under the same consulting agreement, on April 12, 2022 and October 17, 2022, the Company issued 1,748,914 restricted voting shares at a fair value of $499,840 and 12,348,648 restricted voting shares at a fair value of $1,096,560, respectively. The shares were recorded as share based payments in the consolidated statement of loss and comprehensive loss. As of December 31, 2022, the consulting agreement had ended and no further restricted voting shares are issuable under the contract.

On May 15, 2022 and November 15, 2022, pursuant to a consulting agreement with a third party, the Company issued 579,562 and 6,180,293 common shares at a fair value of $129,530 and $458,436, respectively. The shares were recorded as share based payments in the consolidated statement of loss and comprehensive loss.

Shares issued pursuant to business combinations and asset acquisitions

On April 12, 2022 and as part of the consideration for the acquisition described in Note 5, the Company issued 708,326 common shares and 1,062,490 restricted voting shares at a fair value of $166,457 and $177,692 respectively.

During the year ended December 31, 2022, the Company issued 109,649 restricted voting shares towards the consideration for the HiFi acquisition. These shares had been recorded in share capital to be issued at December 31, 2021 at a fair value of $88,670, as determined on August 11, 2021 (“the acquisition date”).

Shares issued to employees

Under an employment agreement with an executive of the Company, the Company recorded $508,097 in share capital to be issued during the year ended December 31, 2022. Of this amount, the Company issued 214,760 common shares at a value of $20,333, net of withholding taxes of $73,545, during the year ended December 31, 2022.

On January 7, 2022, the Company issued 23,017 common shares to executives in lieu of 2020 deferred salaries at a value of $9,667. The shares were recorded as share based payments in the consolidated statement of loss and comprehensive loss. These shares had been recorded in share capital to be issued at December 31, 2021.

Share-based payments

On April 27, 2022, the Board approved a new share compensation plan (the Plan). Stock options granted under the Plan (options) are equity settled, are non-transferable and will be exercisable for a period not to exceed ten years. Stock options vest evenly over the related service period between one to four years. Under the Plan the maximum number of shares of the Company that are reserved pursuant to the Plan is limited to 15% of all issued and outstanding common shares of the Company at any given time.

(Expressed in Canadian dollars)

23. Share capital, continued

The following provides a summary of the status of the Plan at December 31, 2023:

	Number of options	Weighted average exercise price
Balance outstanding, December 31, 2021	3,219,562	$1.66
Forfeited	(670,912)	$0.93
Granted	11,837,203	$0.10
Expired	(919,000)	$1.25
Cancelled	(5,546,096)	$0.25
Balance outstanding, December 31, 2022	**7,920,757**	**$0.42**
Forfeited	(161,112)	$0.08
Granted	3,363,308	$0.05
Expired	(821,119)	$3.02
Balance outstanding, December 31, 2023	**10,301,834**	**$0.10**

Grant date	Expiry date	Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable
November 2, 2017	November 2, 2027	$0.30	41,666	3.84	41,666
January 28, 2019	January 28, 2024	$9.00	16,667	0.08	16,667
November 26, 2019	November 26, 2024	$2.94	66,667	0.91	50,000
August 14, 2020	January 28, 2024	$0.90	8,333	0.08	8,333
December 1, 2022	December 1, 2027	$0.06	4,733,526	3.92	3,155,686
October 3, 2022	October 3, 2027	$0.08	1,000,000	3.76	166,667
September 27, 2022	September 27, 2027	$0.08	1,071,667	3.74	714,460
January 9, 2023	January 9, 2028	$0.05	20,000	4.03	6,667
January 30, 2023	January 30, 2028	$0.05	16,667	4.08	5,556
April 17, 2023	April 17, 2028	$0.05	16,667	4.30	5,556
May 1, 2023	May 1, 2028	$0.05	16,667	4.34	5,556
July 14, 2023	July 14, 2028	$0.05	20,000	4.54	6,667
July 31, 2023	July 31, 2028	$0.05	16,667	4.58	5,556
September 22, 2023	September 22, 2028	$0.05	3,236,640	4.73	1,078,878
November 16, 2023	November 16, 2028	$0.05	20,000	4.88	6,667
		$0.10	**10,301,834**	**4.12**	**5,274,582**

On June 20, 2022, the Company approved the grant of options to various directors of the Company. A total of 4,408,676 options were granted which will vest monthly over a 12-month period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.46%; stock price: $0.14; volatility: 107%; Dividend yield: 0%; and expected life: 10 years. During the year ended December 31, 2022, all options related to this grant were cancelled.

On June 20, 2022, the Company approved the grant of options to various employees, advisors and contractors. A total of 420,000 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.37%; stock price: $0.14; volatility: 107%; Dividend yield: 0%; and expected life: 5 years. During the year ended December 31, 2022, all options related to this grant were cancelled.

23. Share capital, continued

On September 27, 2022, the Company approved the grant of options to various employees, advisors and contractors. A total of 1,258,334 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.45%; stock price: $0.07; volatility: 112%; Dividend yield: 0%; and expected life: 5 years.

On October 3, 2022, the Company approved the grant of options to key management personnel. 500,000 options were granted of which 1/3 vest each year after the first year of the grant date. In addition, 500,000 options with a vesting schedule based entirely on the attainment of market conditions. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.28%; stock price: $0.08; volatility: 113%; Dividend yield: 0%; and expected life: 5 years.

On December 1, 2022, the Company approved the grant of options to various directors of the Company. A total of 4,733,526 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.05%; stock price: $0.06; volatility: 119%; Dividend yield: 0%; and expected life: 5 years.

On December 1, 2022, the Company approved the grant of options to an employee. A total of 16,667 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.05%; stock price: $0.06; volatility: 119%; Dividend yield: 0%; and expected life: 5 years.

On January 9, 2023, the Company approved the grant of options to an employee. A total of 20,000 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.22%; stock price: $0.05; volatility: 125%; Dividend yield: 0%; and expected life: 5 years.

On January 30, 2023, the Company approved the grant of options to an employee. A total of 16,667 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.04%; stock price: $0.05; volatility: 125%; Dividend yield: 0%; and expected life: 5 years.

On April 17, 2023, the Company approved the grant of options to an employee. A total of 16,667 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.26%; stock price: $0.05; volatility: 131%; Dividend yield: 0%; and expected life: 5 years.

On May 1, 2023, the Company approved the grant of options to an employee. A total of 16,667 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.10%; stock price: $0.05; volatility: 132%; Dividend yield: 0%; and expected life: 5 years.

On Jul 14, 2023, the Company approved the grant of options to an employee. A total of 20,000 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.76%; stock price: $0.05; volatility: 137%; Dividend yield: 0%; and expected life: 5 years.

On Jul 31, 2023, the Company approved the grant of options to an employee. A total of 16,667 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.9%; stock price: $0.05; volatility: 137%; Dividend yield: 0%; and expected life: 5 years.

(Expressed in Canadian dollars)

23. Share capital, continued

On September 22, 2023, the Company approved the grant of options to various directors of the Company. A total of 3,236,640 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 4.2%; stock price: $0.05; volatility: 138%; Dividend yield: 0%; and expected life: 5 years.

On November 16, 2023, the Company approved the grant of options to an employee. A total of 20,000 options were granted of which 1/3 vest immediately and 1/3 vest each year thereafter. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 3.8%; stock price: $0.04; volatility: 142%; Dividend yield: 0%; and expected life: 5 years.

Compensation expense related to stock options is recognized over the years in which entitlement to the compensation vests. During the year ended December 31, 2023, the Company recorded $230,658 in share-based payments in its consolidated statement of loss and comprehensive loss (2022 - $888,618).

The expected volatility is based on the historical volatility of the Company, which may not necessarily be the actual outcome.

Restricted share units

On April 27, 2022, the Board approved a new share compensation plan, replacing the previous share compensation plan that was introduced on January 15, 2019. RSUs granted under the share compensation plan are equity settled and non-transferable. The maximum number of shares of the Company that are reserved pursuant to the share compensation plan is limited to 10,000,000 shares, provided that the aggregate number of shares available for issuance under this share compensation plan together with all other share compensation arrangements may not exceed 15% of all issued and outstanding common shares at any given time.

The following provides a summary of the status of the Plan at December 31, 2023:

	Number of unvested RSUs
Balance outstanding, December 31, 2021	308,330
Vested	(216,666)
Balance outstanding, December 31, 2022	**91,664**
Vested	(8,332)
Expired	(83,332)
Balance outstanding, December 31, 2023	**-**

On August 31, 2020, the Company provided key management personnel with 625,000 RSUs to vest equally in five tranches with a vesting schedule based entirely on the attainment of both operational milestones (performance conditions) and market conditions. During 2020 and 2021 541,668 of the RSUs vested upon achievement of a performance milestones. The remaining 83,332 expired on August 31, 2023.

On August 31, 2020, the Company provided key management personnel with 375,000 RSUs to vest in equal annual amounts over a two-year period and contingent on continued employment at the Company. During the year ended December 31, 2021, 250,000 of the RSUs vested, resulting in the issuance of 162,357 common shares issued at a value of $111,230, net of withholding taxes of $83,770. Of these vested RSUs, 62,500 were subject to accelerated vesting on the termination of a member of management. During the year ended December 31, 2022 the remaining 125,000 RSUs vested as per the terms, resulting in the issuance of 64,107 common shares issued at a value of $92,074, net of withholding taxes of $5,426.

(Expressed in Canadian dollars)

23. Share capital, continued

On March 8, 2021, the Company provided employees with 41,666 RSUs to vest in equal amounts over a two-year period, contingent on continued employment at the Company. During the year ended December 31, 2022, 33,333 of the RSUs vested, resulting in the issuance of 18,484 common shares issued at a value of $86,312, net of withholding taxes of $5,688. The vesting of 25,000 of these RSUs were related to the termination and severance of an employee. An additional 8,332 of the RSUs vested during the year ended December 31, 2023, resulting in the issuance of 3,873 common shares issued at a value of $292, net of withholding taxes of $156.

On August 3, 2021, the Company provided key management personnel and employees with 58,333 RSUs to vest in equal amounts over a two-year period, contingent on continued employment at the Company. During the year ended December 31, 2022, 41,667 of the RSUs vested, resulting in the issuance of 27,417 common shares issued at a value of $49,303, net of withholding taxes of $5,698. The vesting of the RSUs were related to the termination and severance of a member of executive management. In addition, 16,666 vested in relation to the termination and severance of an employee for who 12,328 common shares were issued at a value of $2,000, net of withholding taxes of $521.

During the year ended December 31, 2023, the Company recorded a share-based payments expense of $2,111 for the RSUs in its consolidated statement of loss and comprehensive loss (2022 - $128,194), based on the vesting period and fair value of $2.76 per share (2022 - ranging from $0.78 to $9 per share). Fair values are determined by the Company's share price on the RSU grant date.

Warrants

The following provides a summary of the status of the warrants at December 31, 2023 and December 31, 2022:

Issuance date	Number of warrants	Weighted average exercise price	Weighted average remaining contractual life (years)	Warrants reserve
December 5, 2019	57,870	$5.34	0.93	$104,808
November 26, 2019	5,153,760	$3.12	0.91	$6,358,985
December 5, 2019	595,064	$3.12	0.93	$730,979
	5,806,694	**$3.14**	**1.91**	**$7,194,772**

24. Held for sale

The following provides a summary of assets and liabilities classified as held for sale.

	Right of use assets	Property, plant and equipment	Total
Balance, December 31, 2022	$372,743	$161,289	$534,032
Disposal	(370,752)	(159,940)	(530,692)
Currency translation	(1,991)	(1,349)	(3,340)
Balance, December 31, 2023	**$-**	**$-**	**$-**

(Expressed in Canadian dollars)

24. Held for sale, continued

	Lease liability
Balance, December 31, 2022	$337,275
Lease payments	(76,363)
Accretion expense for the year	31,639
Disposal	(290,749)
Currency translation	(1,802)
Balance, December 31, 2023	**$-**

In August 2023, the Company received proceeds of $206,864 on the sale of these assets and liability, resulting in a loss on disposal of $32,836 (Note 28).

During the year ended December 31, 2022, the Company estimated the fair value of its held for sale assets which resulted in impairment losses of $184,046 and $243,912 recorded on property, plant and equipment and intangibles, respectively.

25. Discontinued operations

During the year ended December 31, 2022, the Company completed its plan to sell assets and abandon the operations of the SCC and CHC CGUs. The following table summarizes the Company's consolidated discontinued operations for the year ended December 31, 2022:

	Notes	2022
Revenue		$-
Cost of goods sold		31,639
Gross loss		(31,639)
Expenses		
Salaries and wages		(6,934)
Depreciation and amortization		89,793
Selling, general, administrative	27	263,308
Insurance		24,290
Professional fees		6,197
Expected credit loss		36,201
Total expenses		412,855
Loss from operations		(444,494)
Financing cost and fair value adjustment	26	108,646
Impairment	24	8,651
Other expense		245,229
Net loss before income taxes		(807,020)
Income tax		-
Net loss from discontinued operations		$(807,020)

(Expressed in Canadian dollars)

26. Financing cost and fair value adjustment

The Company's financing cost and fair value adjustment for the year ended December 31, 2023 and 2022 were as follows:

	Notes	December 31, 2023	December 31, 2022
Fair value adjustment on derivative liabilities	22	**$(100,653)**	$(4,646,676)
Accretion on lease liabilities	21, 24	**745,573**	723,819
Accretion expense	22	**7,186,749**	3,544,887
Interest on convertible notes	22	**2,788,235**	2,460,969
Other interest expense		**99,858**	150,455
Gain on extinguishment of financial instruments	20	**-**	(198,809)
Fair value adjustment on financial instruments	19, 12	**833,637**	(3,384,027)
		11,553,399	(1,349,382)
Discontinued operations	25	**-**	108,646
		$11,553,399	$(1,240,736)

27. Expenses by nature

Included within cost of goods sold for the year ended December 31, 2023 were direct production staff costs amounting to $6,175,883 (2022 - $4,295,987) and depreciation and amortization charges amounting to $611,568 (2022 - $648,452).

The Company's selling, general and administrative expenses for the years ended December 31, 2023 and 2022 were as follows:

	Notes	December 31, 2023	December 31, 2022
Office and general		**$3,020,762**	$2,434,021
Software and subscriptions		**1,150,520**	972,688
Rent and variable lease payments		**197,926**	257,080
Product development		**27,913**	27,078
		4,397,121	3,690,867
Discontinued operations	25	**-**	263,308
		$4,397,121	$3,954,175

28. Other expense (income)

	Notes	December 31, 2023	December 31, 2022
Unrealized exchange gain		**$(147,436)**	$(980,097)
Loss (gain) on sale of capital assets	14, 15	**(80,767)**	56,323
Loss on sale of assets and liabilities held for sale	24	**32,836**	-
Gain on sale of Trētap assets	15	**(102,675)**	-
		(298,042)	(923,774)
Discontinued operations	25	**-**	245,229
		$(298,042)	$(678,545)

(Expressed in Canadian dollars)

28. Other expense (income), continued

In January 2023 the Company sold its Trētap branded assets to a third party for cash consideration of $207,111 resulting in a gain on disposal of $102,675.

In December 2023 the Company sold a building to a third party for cash consideration of $637,553 resulting in a gain on disposal of $122,298. The Company also sold other property plant and equipment associated with the building to other third parties for cash consideration of $3,683 resulting in a loss on disposal of $6,194.

29. Income taxes

The reconciliation of the expected income tax recovery at the combined US federal and state statutory income tax rate of 26.83% (2022 – 26.10%) to the amounts in the consolidated statement of loss and comprehensive loss is as follows:

	December 31, 2023	December 31, 2022
Net loss from continuing operations, before recovery of income taxes	**$(17,766,754)**	$(29,461,242)
Expected income tax recovery	**(4,766,820)**	(7,689,384)
Share based compensation and non-deductible expenses	**281,411**	398,001
Uncertain tax position, inclusive of interest and penalties	**3,770,801**	-
IRC 280E non-deductible expenses	**-**	3,901,209
Goodwill impairment	**-**	574,753
Fair value adjustment on contingent consideration	**223,665**	(883,231)
Other permanent items	**(42,308)**	(113,456)
Non deductible professional fees	**214,303**	393,323
Tax implications from state filings	**(568,844)**	(838,616)
Foreign exchange	**-**	(236,631)
Tax rate changes and other adjustments	**(372,014)**	(653,537)
Change in tax benefits not recognized	**2,859,354**	5,147,569
Income tax expense	**$1,599,548**	$-

As of December 31, 2023, the Company accrued interest and penalties on uncertain tax liabilities of $44,770 (2022 - $Nil) on the consolidated balance sheets.

The Company's income tax expense is allocated as $1,599,548 to current tax expense (2022 - $Nil) and $Nil to deferred tax expense (2022 - $Nil).

Deferred taxes

USA	**December 31, 2023**	December 31, 2022
Deferred tax assets		
Net operating losses carried forward	**$774,055**	$2,718,684
Intangible assets	**2,298,249**	-
Derivatives and other	**32,309**	57,566
Deferred tax liabilities		
Property, plant and equipment	**(184,025)**	(187,236)
Right of use assets	**(463,796)**	(396,806)
Biological assets	**(508,709)**	(521,042)
Intangible assets	**-**	2,138,812
Convertible debt	**(1,948,083)**	(3,809,978)
Net deferred tax asset	**$-**	$-

(Expressed in Canadian dollars)

29. Income taxes, continued

The following summarizes the components of deferred taxes in the consolidated statement of financial position:

Canada	**December 31, 2023**	December 31, 2022
Deferred tax assets		
Non-capital losses carried forward	**$2,076,508**	$3,856,614
Deferred tax liabilities		
Convertible debentures	**(2,076,508)**	(3,856,614)
Net deferred tax asset	**$-**	$-

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

	December 31, 2023	December 31, 2022
USA		
Net operating losses carried forward - federal and state	**$177,897,388**	$165,379,276
Provisions	**125,882**	209,332
Unrecognized deductible temporary differences	**$178,023,270**	$165,588,608

	December 31, 2023	December 31, 2022
Canada		
Intangible assets	**$8,026,987**	$8,026,987
Derivatives	**119,907**	220,559
Unrealized foreign exchange losses	**1,125,097**	1,290,352
Share issuance costs	**291,358**	888,017
Net operating losses carried forward	**42,273,947**	27,635,194
Net capital losses	**108,982,876**	103,357,769
Property, plant and equipment	**129,277**	18,469
Investments at fair value	**1,753,838**	11,969,050
Compound interest	**949,527**	-
Other	**20,210**	-
Unrecognized deductible temporary differences	**$163,673,024**	$153,406,397

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom.

The Company’s US net-operating losses carry forward indefinitely.

The Company’s Canadian non-capital losses expire between 2038 and 2043. The Company's Canadian net capital losses can be carried forward indefinitely.

IRC Section 280E and Uncertain Tax Position

The IRS has taken the position that cannabis companies are subject to the limits of IRC Section 280E under which they are only allowed to deduct expenses directly related to the production of inventory. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

(Expressed in Canadian dollars)

29. Income taxes, continued

The Company operates in a number of domestic tax jurisdictions and is subject to examination of its income tax returns by tax authorities in these jurisdictions who may challenge any item of those returns. Because tax matters that may be challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain. The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon technical merits, it is more-likely-than-not that the position will be sustained upon examination. The Company evaluates uncertain tax positions on a quarterly basis and adjusts the level of the liability to reflect any subsequent changes in the relevant facts surrounding the uncertain positions. The measurement of the uncertain tax position is based on the largest benefit amount to be realized upon settlement of the matter. If payment ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to income tax expense may result. As of December 31, 2023, the Company recorded an uncertain tax liability for uncertain tax positions primarily related to the treatment of certain transactions and deductions under IRC Section 280E based on legal interpretations that challenge the Company's tax liability under IRC Section 280E. These uncertain tax positions are included in uncertain tax position liabilities on the consolidated statements of financial position.

The following table shows a reconciliation of the beginning and ending amount of uncertain tax liabilities:

	December 31, 2023	December 31, 2022
Balance at beginning of the year	**$-**	$-
Additions based on tax positions related to the current year	1,554,778	-
Interest recorded in income tax expense	44,770	-
Balance at the end of the year	**$1,599,548**	$-

The following table shows a reconciliation of the beginning and ending amount of unrecognized tax benefits:

	December 31, 2023	December 31, 2022
Balance at beginning of the year	**$-**	$-
Additions based on tax positions related to the current year	1,554,778	-
Balance at the end of the year	**$1,554,778**	$-

Inversion

The Company is treated as a U.S corporation for U.S. federal income tax purposes under U.S. Internal Revenue Code ("IRC") Section 7874 and is subject to U.S. federal income tax. However, for Canadian tax purposes, the Company is expected, regardless of any application of IRC Section 7874, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the U.S. Notwithstanding the foregoing, it is management's expectation that the Company's activities will be conducted in such a manner that income from operations will not be subjected to double taxation.

(Expressed in Canadian dollars)

30. Related party transactions

Key Management Compensation

Key management compensation includes the Company's directors and members of the executive team. Key management compensation for the years ended December 31, 2023 and 2022 is detailed below.

Type of expense	Notes	2023	2022
Management compensation and directors' expense		**$1,605,630**	$2,102,968
Restricted share unit compensation expense	23	**-**	128,194
Stock-based compensation expense	23	**1,005,355**	1,095,360
		$2,610,985	$3,326,522

Management compensation and directors' expense are included in salaries and wages expense (2022 - salaries and wages expense and consulting and subcontractors expense), and restricted share unit and stock-based compensation expense are included in share-based payments in the consolidated statement of loss and comprehensive loss.

Included in management compensation and directors' expense for the year ended December 31, 2022 is $197,074 in severance and termination accruals related to the termination of the Company's Chief Revenue Officer in January 2022.

In November 2021, Drew McManigle was appointed as Interim CEO and Chairman of the Board. McManigle is the founder and CEO of MACCO Restructuring Group, LLC ("MACCO"), which provided financial advisory and consulting services to the Company. For the year ended December 31, 2023, MACCO provided financial advisory and consulting services amounting to $Nil (2022 - $1,038,554) recorded in consulting and subcontractors expense in the consolidated statement of loss and comprehensive loss. On September 30, 2022, Drew McManigle stepped down as Interim CEO and Chairman of the Board and the Company's relationship with MACCO was terminated. John Moynan was promoted to CEO as replacement and Ruth Chun was appointed Chairman of the Board.

31. Contingencies and Commitments

The Company, through its subsidiary SCM, has historically qualified to hold its licenses (the "Colorado Licenses") in Colorado on the basis that the Company qualifies as a "Publicly Traded Corporation" within the meaning of the Colorado Revised Statutes ("C.R.S.") issued by the Colorado Marijuana Enforcement Division ("MED"). In order for the Company to qualify as a Publicly Traded Company, it must either (i) maintain (1) the listing of the Common Shares on the Canadian Securities exchange (or another Canadian stock exchange), and (2) its status as a "foreign private issuer" (within the meaning of applicable U.S. securities laws), or (ii) have a class of securities registered with the U.S. Securities and Exchange Commission.

The Company has ceased to qualify as a foreign private issuer and no longer meets the definition of a Publicly Traded Corporation within the meaning of the C.R.S.

31. Contingencies and Commitments, continued

Following extensive discussions, the MED has granted the Company an extension (the “Colorado Extension”) for the time by which it must re-qualify as a Publicly Traded Corporation. Specifically, the MED has advised that the Company may maintain the Colorado Licenses provided that the Company qualifies as a Publicly Traded Corporation by the next renewal date for the Colorado Licenses, being September 6, 2024 (the “Colorado Renewal Date”). In the event that the Company does not qualify as a Publicly Traded Corporation on the Colorado Renewal Date, the MED may consider extending the Colorado Extension to provide the Company additional time to regain compliance or may determine that the Company no longer qualifies to hold the Colorado Licenses. The loss by the Company of the Colorado Licenses would impede the Company's operations in Colorado and have a material adverse effect on the Company's business, financial condition and results of operations or prospects.

On August 16, 2023, a former majority shareholder of HiFi filed a complaint against the Company relating to the HiFi acquisition in August 2021. The Company filed a motion to dismiss on October 31, 2023, denying all liability to the former shareholder. On March 7, 2024, the Superior Court in the State of Vermont granted a motion to dismiss the complaint. On March 12, 2024, a notice of appeal was given to the Supreme Court by the former shareholder. The Company considers the claim to be largely and likely without merit and therefore, no provision has been recorded in these consolidated financial statements.

On June 30, 2021, the Company entered into a Cloud Agreement for SAP ByDesign, a cloud subscription service, with Navigator Business Solutions, Inc. The initial term of the agreement is for 5 years. Under the agreement, the Company is committed to remaining payments of $494,639 (2022 - $695,145) as of December 31, 2023. The remaining payments are due in equal instalments over the next two years with the contract concluding on June 30, 2026.

32. Segmented information

Operating Segment

The Company operates in 2 reportable segments, which include 1) Core Markets, and 2) Emerging Markets, Distribution, and CBD, plus corporate and other. The Company defines core markets as those with the following characteristics: i) mature regulatory structure, ii) favorable tax regime, iii) low capital barrier to entry and access to licenses iv) demonstrated supply of raw material, v) multiple point of (retail) distribution, vi) demonstrated operational leadership in place and vii) a demonstrable ROI. Emerging Markets is defined as those that the Company views as markets with regulatory or commercial environments in which profitability and high-margin sales are more challenging for consumer product-focused companies currently, or barriers to entry are too cost prohibitive or onerous. Distribution and CBD include non-plant touching hardware and CBD sales to distributors and through e-commerce platforms.

Information related to each operating segment is set out below. Operating segment revenue and net income (loss) is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Asset information by segment is not provided to, or reviewed by, the Company’s chief operating decision maker as it is not used to make strategic decisions, allocate resources, or assess performance.

(Expressed in Canadian dollars)

32. Segmented information, continued

The following tables presents the Company's operating segments for the years ended December 31, 2023 and 2022, respectively:

2023	Core markets	Emerging markets, CBD, and distribution	Corporate and other	Total
Revenue	$35,663,385	$9,710,393	$1,874,582	$47,248,360
Inter-segment revenue	(6,251,053)	(3,545,964)	(1,769,135)	(11,566,152)
Net revenue	29,412,332	6,164,429	105,447	35,682,208
Share based payments	-	-	1,048,867	1,048,867
Depreciation and amortization	1,100,510	1,112,149	110,808	2,323,467
Expected credit losses	25,241	19,557	-	44,798
Impairment of long-lived assets	194,818	330,174	-	524,992
Financing cost and fair value adjustment	503,308	319,844	10,730,247	11,553,399
Net loss from continuing operations	4,962,039	(6,220,041)	(18,108,300)	(19,366,302)
Loss on discontinued operations, net of tax	-	-	-	-
Net income (loss)	$4,962,039	$(6,220,041)	$(18,108,300)	$(19,366,302)

2022	Core markets	Emerging markets, CBD, and distribution	Corporate and other	Total
Revenue	$37,856,462	$13,674,672	$1,796,867	$53,328,001
Inter-segment revenue	(9,144,080)	(4,249,859)	(1,745,153)	(15,139,092)
Net revenue	28,712,382	9,424,813	51,714	38,188,909
Share based payments	-	-	3,709,275	3,709,275
Depreciation and amortization	1,305,101	4,204,813	18,468	5,528,382
Expected credit losses	74,777	142,023	(37,634)	179,166
Impairment of long-lived assets	3,979,284	11,374,119	-	15,353,403
Financing cost and fair value adjustment	1,223,739	327,963	(2,901,084)	(1,349,382)
Net loss from continuing operations	(928,079)	(19,878,665)	(8,654,498)	(29,461,242)
Loss on discontinued operations, net of tax	(807,020)	-	-	(807,020)
Net loss	$(1,735,099)	$(19,878,665)	$(8,654,498)	$(30,268,262)

Geographical Information

The Company operates in two geographical locations: Canada and the USA. The following tables present the Company's revenues for the year ended December 31, 2023 and 2022, and non-current assets by location on December 31, 2023 and December 31, 2022.

	December 31, 2023	December 31, 2022
Revenue		
Canada	**$105,447**	$51,714
USA	**35,576,761**	38,137,195
	$35,682,208	$38,188,909

(Expressed in Canadian dollars)

32. Segmented information, continued

Non-current assets	**December 31, 2023**	December 31, 2022
Canada	**$424,759**	$1,647,202
USA	**13,426,771**	21,349,204
	$13,851,530	$22,996,406

33. Financial instruments and capital management

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for invested assets are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3).

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the instrument's interest rate approximates current observable market rates.

Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates.

The table below summarizes the assets and liabilities that are included at their fair values in the Company's consolidated statement of financial position at December 31, 2023 and December 31, 2022.

These assets and liabilities have been categorized into hierarchical levels, according to the reliability of the inputs used in determining fair value measurements. During the year ended December 31, 2023, no transfers between fair value hierarchy levels occurred. The fair value hierarchy has the following levels:

Level 1 – quoted prices
Represents unadjusted quoted prices for identical instruments exchanged in active markets.

Level 2 – significant other observable inputs
Includes directly or indirectly observable inputs, other than quoted prices for identical instruments exchanged in active markets.

Level 3 – significant unobservable inputs

Includes inputs that are not based on observable market data.

				At December 31, 2023
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$5,056,764	-	-	$5,056,764
Restricted cash	3,979,050	-	-	3,979,050
Investments	-	-	-	-
Derivative liabilities	-	-	(119,906)	(119,906)
	$9,035,814	-	$(119,906)	$8,915,908

33. Financial instruments and capital management, continued

	At December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash	$7,848,935	-	-	$7,848,935
Restricted cash	4,070,850	-	-	4,070,850
Investments	-	-	1,111,635	1,111,635
Derivative liabilities	-	-	(220,559)	(220,559)
Contingent consideration	-	-	(2,851,435)	(2,851,435)
	$11,919,785	-	$(1,960,359)	$9,959,426

Foreign currency risk

The operating results and financial position of the Company are reported in CAD. As the Company operates in an international environment, some of the Company’s financial instruments and transactions are denominated in currencies other than the CAD. The results of the Company’s operations are subject to currency transaction and translation risks. The Company holds cash in US dollars. The Company’s main risk is associated with fluctuations in the US dollar. Assets and liabilities are translated based on the foreign currency translation policy described in Note 3. At December 31, 2023 and 2022, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. The Company has estimated that the effect of a 10% increase or decrease in the US dollar against the Company's functional currency (CAD) on the financial assets and liabilities, as at December 31, 2023, including cash, restricted cash, accounts payable, convertible debentures, and deferred cash consideration would result in an increase or decrease of approximately $2,458,000 in the net loss for the year ended December 31, 2023 (2022 - $1,339,000).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk exposure is minimal because interest rates on notes receivable, notes payable, loan payable, and convertible notes are fixed.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company typically settles its financial obligations in cash. The ability to settle obligations in cash is dependent on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As described in Note 4, the Company’s ability to continue as a going concern is dependent on its ability to raise additional financing and generate positive cash flow from profitable operations. At December 31, 2023, the Company had a cash balance of $5,056,764 (2022 – 7,848,935), net of restricted cash of $3,979,050 (2022 - $4,070,850) and current liabilities of $28,337,305 (2022 - $9,848,764).

(Expressed in Canadian dollars)

33. Financial instruments and capital management, continued

In addition to the commitments outlined in Note 31, the Company has the following estimated future contractual payment obligations, excluding interest payments, at December 31, 2023:

	< 1 year	1 to 2 years	3 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	$5,943,965	$-	$-	$-	$5,943,965
Notes payable	$76,279	$731,177	$-	$-	$807,456
Lease liabilities	$1,374,618	$2,560,393	$2,111,702	$1,401,950	$7,448,663
Convertible debentures	$27,795,920	$2,444,504	$-	$-	$30,240,424

Credit risk

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable, other receivables and notes receivable. The carrying amounts for these financial assets represent their maximum credit exposure to the Company. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company's objective with regard to credit risk in its operating activities is to reduce its exposure to losses. At December 31, 2023, the overdue accounts receivable balance, net of provision, is $1,235,766 (2022 - $2,052,265). The Company believes that the balance is collectable and that no additional allowance is required.

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

				December 31, 2023
	Current	Aged 1-30 days past due	Aged 31-60 days past due	Aged >60 past due
Expected loss rate	1.9%	2.0%	2.4%	62.2%
Gross carrying amount	$695,400	$662,505	$546,779	$139,009
Loss allowance provision, end of year	$13,355	$12,988	$13,101	$86,438

				December 31, 2022
	Current	Aged 1-30 days past due	Aged 31-60 days past due	Aged >60 past due
Expected loss rate	2.2%	2.1%	3.2%	42.8%
Gross carrying amount	$619,842	$1,338,154	$558,091	$351,799
Loss allowance provision, end of year	$13,553	$27,437	$17,721	$150,621

(Expressed in Canadian dollars)

33. Financial instruments and capital management, continued

The Company's total expected credit losses in the consolidated statement of loss and comprehensive loss can be summarized as follows:

2023	Accounts receivable	Notes receivable	Due from related parties	Total
Opening balance	$209,332	$-	$-	$209,332
Increase in expected credit loss recognised in profit or loss during the year	44,798	-	-	44,798
Receivables written off as uncollectible	(124,915)	-	-	(124,915)
Currency translation	(3,333)	-	-	(3,333)
Closing expected credit losses	$125,882	$-	$-	$125,882

2022	Accounts receivable	Notes receivable	Due from related parties	Total
Opening balance	$7,731,790	$3,603,949	$2,018,131	$13,353,870
Increase in expected credit loss recognised in profit or loss during the year	89,181	-	68,036	157,217
Reversal on NSH acquisition	(2,999,521)	(3,603,949)	(2,112,003)	(8,715,473)
Receivables written off as uncollectible	(4,729,580)	-	-	(4,729,580)
Currency translation	117,462	-	25,836	143,298
Closing expected credit losses	$209,332	$-	$-	$209,332
Write off	$58,150	$-	$-	$58,150
Increase in expected credit losses	89,181	-	68,036	157,217
	147,331	-	68,036	215,367
Discontinued operation	(10,177)	-	(26,024)	(36,201)
Total expected credit losses	$137,154	$-	$42,012	$179,166

Concentration risk

During 2023 and 2022 there are no customers with 10% or more of the Company's total revenues.

Management of capital

The Company's objective of managing capital, comprising shareholders' equity (deficit) of ($4,379,651) is to ensure its continued ability to operate as a going concern. The Company manages its capital structure and makes changes to it based on economic conditions. With approval from the Board, management will adjust its capital structure through the issue of new shares, convertible debentures, debt or other activities deemed appropriate under the specific circumstances. Management and the Board review the Company's capital management approach on an ongoing basis and believe this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and the Company's strategy with respect to capital risk management has not changed since the year ended December 31, 2023.

34. Subsequent events

The Company evaluated subsequent events through to April 11, 2024, the date these consolidated financial statements were issued.

On January 11, 2024, pursuant to an employment contract, the Company approved the grant of 150,000 stock options to an employee of the Company.

On February 19, 2024, the Company assigned its investment in Agripharm (Note 13) to the lender of Agripharm in order to satisfy a cash call by Agripharm. As of February 19, 2024, the Company no longer holds any ownership in Agripharm.

On March 8, 2024, the Company issued 7,621,977 RSU's to employees of the Company which vest in 3 equal amounts on the grant date and each anniversary thereafter and are contingent on continued employment at the Company. These RSU's were issued to satisfy 2023 bonus entitlements.

SCHEDULE B: MANAGEMENT DISCUSSION AND ANALYSIS

SLANG WORLDWIDE INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

DATED APRIL 11, 2024

SLANG Worldwide Inc.
Management's Discussion and Analysis

The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with SLANG Worldwide Inc.'s (the "**Company**", the "**Corporation**", "**SLANG**", "**we**", "**our**") audited consolidated financial statements and notes for the years ended December 31, 2023 and 2022 (the "**Financial Statements**"). This MD&A was prepared with reference to the MD&A disclosure requirements set out by National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**"). The Financial Statements, together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. Results are reported in Canadian dollars, unless otherwise noted. The Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Information contained herein is presented as of April 11, 2024**,** unless otherwise indicated. The Financial Statements and related notes, and this MD&A, have been reviewed by the Company's Audit Committee and approved by the Board (as defined herein) on April 11, 2024.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain information that may constitute "forward-looking information" and "forward-looking statements" which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets or other statements that are not statements of fact. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- SLANG's business plan and growth strategy;
- changes in laws, regulations and guidelines;
- outlooks regarding future financial position and cash flow; and
- SLANG's ability to compete.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the cannabis industry and the general expectations of SLANG concerning the cannabis industry and concerning SLANG are based on estimates prepared by SLANG using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which SLANG believes to be reasonable. While SLANG is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors and SLANG has not independently verified such third-party information.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See “Risk Factors” in this MD&A. The purpose of forward-looking statements is to provide the reader with a description of management’s expectations, and such forward-looking statements may not be appropriate for any other purpose. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Overview

This overview summarizes the MD&A, which includes the following sections:

1. Key Financial Metrics — a summary of highlights from the Financial Statements and recent developments.

2. Our Business — a general description of our business including an overview of priorities and plans to achieve our objectives.

3. Results and Outlook — an overview of our financial position, key performance indicators and results; an analysis of our cash flows; and the outlook for the future.

4. Resources, Relationships and Risk — a discussion of all significant resources and relationships needed to deliver results and the risks that can affect achieving these results.

1. Key Financial Metrics

During the year ended December 31, 2023:

- Revenue from continuing operations for the year ended December 31, 2023 (“**FY 2023**”) was $35.68 million, compared with $38.19 million in the year ended December 31, 2022 (“**FY 2022**”), representing a 7% decrease year-over-year. The reduction was primarily driven by a decrease of $2.65 million in our Distribution (as defined herein) sales and a decrease of $1.27 million in Emerging Market (as defined herein) sales, partially offset by an increase of $0.70 million in Core Market (as defined herein) sales and an increase of $0.66 million in E-commerce (as defined herein) sales. Within the Core Market segment, the Company experienced growth in Vermont, with sales increasing by $3.06 million, which is offset by a reduction of $2.36 million in sales in Colorado.
- Gross profit of $18.62 million (52% gross margin) in FY 2023, compared with $16.45 million (43% gross margin) in FY 2022, representing a 13% increase in gross profit and a 9% increase in gross margin year-over-year. Gross profit before fair value of biological assets was $18.68 million (52% gross margin) in FY 2023, compared with $17.62 million (46% gross margin) in FY 2022, representing a 6% increase in gross profit and a 6% increase in gross margin year-over-year.

- Operating expenses of $24.61 million in FY 2023, compared with $31.33 million in FY 2022, representing a 21% decrease year-over-year. The reduction was primarily driven by a decrease in depreciation and amortization, share based payments, salaries and wages and consulting and subcontractors.
- Total comprehensive loss of $19.59 million in FY 2023, compared with $29.65 million in FY 2022, representing a 34% decrease year-over-year. The reduction was primarily driven by a decrease in operating expenses of $6.73 million and an increase in gross profit of $2.17 million.
- EBITDA[1] of ($3.05 million) in FY 2023, compared with ($8.71 million) in FY 2022. The improvement in EBITDA is primarily attributable to a $2.14 million increase in gross profit (excluding depreciation costs), and a reduction of $3.52 million in operating expenses (excluding depreciation) such as share based payments, insurance, salaries and wages, and consulting and subcontractors.
- Adjusted EBITDA[1] of ($1.90 million) in FY 2023, compared with ($3.65 million) in FY 2022. The improvement in Adjusted EBITDA is primarily attributable to an increase of $1.02 million in gross profit before fair value adjustments of biological assets (excluding depreciation costs), and a reduction of $0.73 million in operating expenses (excluding depreciation expenses, expected credit losses and share based payments).
- $9.04 million in cash and restricted cash on December 31, 2023, compared to $11.92 million on December 31, 2022. Additionally, for the twelve months ended December 31, 2023, cash flows used in continuing operating activities was ($2.62 million), compared to cash flows used in continuing operating activities of ($3.13 million) for the twelve months ended December 31, 2022, an improvement of $0.51 million.
- Various SLANG subsidiaries filed for the Employee Retention Tax Credit (**"ERTC"**)[2] with the Internal Revenue Service (**"IRS"**) in April 2023. During FY 2023, the Company received $1.63 million in ERTCs and $0.09 million in interest on ERTCs.
- In June 2023, the Company launched a new O.pen two-gram disposable cartridge in Colorado. For the year ended December 31, 2023, the sales of these products totaled approximately $1.62 million.
- The Company built a new wholesale revenue stream in Vermont as more Vermont retailers received retail licenses. In FY 2023, wholesale sales to Vermont retailers was $1.04 million.

During the three months ended December 31, 2023:

- Revenue from continuing operations for the three months ended December 31, 2023 ("**Q4 2023**") was $7.42 million, compared with $11.78 million for the three months ended December 31, 2022 ("**Q4 2022**"), representing a 37% decrease year-over-year. The reduction was primarily driven by a decrease of $4.13 million in Core Market (as defined herein) sales and a decrease of $0.92 million in Distribution (as defined herein) sales, partially offset by an increase of $0.30 million in Emerging Market (as defined herein) sales, and an increase of $0.30 million in E-commerce (as defined herein) sales. Within the Core Market segment, the Company experienced sales reductions in Vermont of $2.47 million, and in Colorado of $1.66 million.

[1] EBITDA and Adjusted EBITDA are non-IFRS financial measures that is further described under the section "Non-IFRS Measures" herein.

[2] In March 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law, providing numerous tax provisions and other stimulus measures, including the ERTC, a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERTC and the Company qualified for the ERTC in the first three quarters of 2021.

- Gross profit of \$3.80 million (51% gross margin) in Q4 2023, compared with \$4.70 million (40% gross margin) in Q4 2022, representing a 19% decrease in gross profit and a 11% increase in gross margin year-over-year. Gross profit before fair value of biological assets was \$3.80 million (51% gross margin) in Q4 2023, compared with \$5.70 million (48% gross margin) in Q4 2022, representing an 33% decrease in gross profit and a 3% increase in gross margin year-over-year.
- Operating expenses of \$6.63 million in Q4 2023, compared with \$8.17 million in Q4 2022, representing a 19% decrease year-over-year. The reduction was primarily driven by a decrease in salaries and wages, depreciation and amortization, share based payments, and consulting and subcontractors.
- Total comprehensive loss of \$7.45 million in Q4 2023, compared with \$16.96 million in Q4 2022, representing a 56% decrease year-over-year. The reduction was primarily driven by a decrease of \$14.83 million in impairment and \$1.54 million in operating expenses partially offset by higher financing cost and fair value adjustments of \$7.26 million and a decrease in gross profit of \$0.90 million.
- EBITDA[1] of (\$2.09 million) in Q4 2023, compared with (\$1.82 million) in Q4 2022. The reduction in EBITDA is primarily attributable to a \$1.07 million decrease in gross profit (excluding depreciation costs), offset by a reduction of \$0.81 million in operating expenses (excluding depreciation) such as salaries and wages, consulting and subcontractors, share based payments, and insurance.
- Adjusted EBITDA[1] of (\$1.48 million) in Q4 2023, compared with (\$0.06 million) in Q4 2022. The reduction in Adjusted EBITDA is primarily attributable to a decrease of \$2.07 million in gross profit before fair value adjustments of biological assets (excluding depreciation costs), offset by a reduction of \$0.65 million in operating expenses (excluding depreciation expenses, expected credit losses and share based payments).

2. Our Business

SLANG is a leading cannabis consumer packaged goods company with a portfolio of renowned brands. The Corporation currently owns, licenses, and/or markets five brands which serve the following categories: flower, inhalable concentrates, and ingestibles. SLANG brings these products to market through three channels:

1. Core Markets – Colorado and Vermont
2. Emerging Markets – Strategic Partnerships in nine States
3. THC Free – Distribution & E-commerce

Core Markets

SLANG defines Core Markets ("**Core Markets**") as those with the following characteristics: (i) mature regulatory structure, (ii) favorable tax regime, (iii) low capital barrier to entry and access to licenses, (iv) demonstrated supply of raw material, (v) multiple points of (retail) distribution, (vi) demonstrated operational leadership in place, and (vii) a demonstrable ROI.

The Corporation's current Core Markets include Colorado and Vermont. The Core Market of Colorado includes branding, manufacturing and distributing SLANG medical and recreational cannabis products to wholesale customers. The Core Market of Vermont includes cultivation, branding, manufacturing and distributing SLANG medical & recreational cannabis products to other retail customers, as well as through its owned medical and recreational retail dispensaries in the state. The Company possesses two of Vermont's five existing medical marijuana licenses and one retail marijuana license.

<u>Core Market Objectives</u>

Colorado

SLANG is positioned to leverage its experience in Colorado to capitalize on organic revenue growth by focusing on velocity per store, by expanding points of distribution, and by expanding product lines where the Company has identified areas of growth. Although the Colorado market is facing heightened competition due to its maturity, the company remains steadfast in its pursuit of organic growth through targeted initiatives in 2024. These include making new partnerships with key dispensaries to broaden our customer base and increase market share, realigning our retail product pricing strategy, and implementing tailored promotional campaigns in the forthcoming quarters to drive velocity per store. This is supported by our inside and outside sales teams to expand on existing relationships and to leverage the Company's distribution footprint. Growth is expected to be achieved by focusing on profitability through the marketing support of our brands and securing key account partnerships with retail customers in the state. The Company will also continue to focus on reducing expenses to maximize Core Market profitability.

Vermont

The addition of Vermont as a Core Market in August 2021 was a growth catalyst for the Company. Immediate results were experienced from the high margins that accompanied Vermont's direct to consumer sales through its medical retail locations. The high margins have brought a healthy and consistent gross profit to the Company as a whole. As an existing medical marijuana license holder in Vermont, the Company also received a retail marijuana license on September 28, 2022, allowing it to open the first retail marijuana location in the state on October 1, 2022 named CERES Collaborative. The dispensary is a 1,500 square foot recreational retail location in Burlington, Vermont. The addition of Vermont has also brought the opportunity to increase SLANG's product offering in the state, increasing brand penetration. Over the past year, the retail landscape in Vermont has evolved, with approximately 75 approved retail licenses in Vermont, intensifying competition resulting in retail revenue declines. However, the increase in retail licenses also presents an opportunity for the Company to sell its products to these retailers through its wholesale sales channel. The Company views this as one of its main catalysts for growth in Vermont and in 2023, Vermont wholesale sales was $1.04 million, up from no sales in the previous year.

Emerging Markets

Emerging Markets ("**Emerging Markets**") are those that SLANG views as markets with regulatory or commercial environments in which it is cost prohibitive in the near term for the Company to enter.

Emerging Markets today include Florida, Maine, New Mexico, Pennsylvania, Washington, West Virginia, Maryland, Puerto Rico and Arizona. In Emerging Markets, the Corporation's strategy is to focus on strategic partnerships which allow the Corporation to establish a market presence without deploying the resources necessary for success as an in-state operator. Strategic partnerships represent an opportunity to work with proven partners, such as Trulieve Cannabis Corp., in order to bring SLANG branded products to market, while supporting said partners in the areas of operations, sales and marketing in exchange for a royalty on SLANG branded products. In January 2024, the Company entered its ninth Emerging market by launching its vape brand, O.pen, in Arizona through a strategic partnership with Trulieve Cannabis Corp.

Emerging Market Objectives

SLANG continues to focus on expanding its strategic partnership model by leveraging relationships and collaboration in all markets to grow the business in the most capital-efficient way. Growth is expected to come primarily by way of expansion of the SLANG branded product portfolio with existing strategic partners, as well as expanding into additional states with new strategic partners.

THC Free

SLANG's THC Free focus is on all products which do not include delta-9 THC and can therefore be broadly distributed. This includes our dry herb vaporizer, the Firefly 2+, our line of Alchemy Naturals CBD gummies, as well as batteries and various other product components including packaging and hardware. On July 14, 2023, the Company launched a brand new O.pen product line and started selling two-gram delta-8 all-in-one vaporizers in five different strains. Additionally, on October 2, 2023, the Company launched sales of its O.pen Sesh, an electric dab rig compatible with 510-thread cartridges and concentrates.

Strategies to support the THC Free channel include working alongside distribution partners both domestically and abroad as well as direct to consumer sales through our e-commerce platforms. Our e-commerce platforms include our O.pen, Firefly, and Alchemy Naturals CBD products.

THC Free Objectives

Distribution

The Company continues to focus on distributor relationships, which provide an avenue for growth and widespread distribution of Slang branded hardware and CBD products such as the Firefly 2+, O.pen batteries, O.pen delta-8 all-in-one vaporizers, O.pen Sesh, and Alchemy Naturals CBD gummies. Our current distribution partners assist in distributing the above products throughout the United States and our Firefly 2+ into Canada, Europe and Australia. In addition, during 2023, the Company transitioned the distribution of its THC Free products in-house. This has helped control inventory carry as well as distribution costs, increasing the flexibility and profitability of this channel.

E-commerce

E-commerce channels represent an impactful growth opportunity for SLANG. Direct to consumer sales through e-commerce generates healthy margins and the ability to reach a broad customer base. Key areas of focus include mobile traffic, social media, search engine optimization, the shopping experience (i.e. website design), the introduction of e-commerce subscriptions and new products, such as O.pen delta-8 vaporizers and the O.pen Sesh. Furthermore, the Company continues to see growth in its Alchemy Naturals CBD gummies, which contributed $1.20 million in e-commerce sales during 2023, representing 54% growth year over year.

3. Results and Outlook

Overview

Below is selected financial information for each of the eight most recent quarters of operations. Certain results may differ from those initially reported. The figures reported for the quarters ended June 30, 2022 and September 30, 2022 have been updated for the presentation of the acquisition of NS Holdings, Inc. (**"NSH"**) which was updated by offsetting $10.72 million between expected credit losses and expenses related to acquisition with no impact on the total loss and comprehensive loss. The figures reported for the quarters ended June 30, 2023, and September 30, 2023, have been updated for the presentation of the ERTC and the related interest income, for which cash was received by the Company. Results were updated by adjusting $1.63 million from other expense (income) and $0.09 million from interest and other income to accounts payable and accrued liabilities. Including the effects of currency translation, total comprehensive loss increased by $1.68 million in Q2 2023 and decreased by $0.09 million in Q3 2023.

On April 12, 2022, the Company acquired 100% of the issued and outstanding capital stock of NSH by way of a merger with a dormant wholly-owned subsidiary of the Company. NSH owns 100% of the issued and outstanding equity interests of GNT Oregon, LLC and Oregon OV, LLC. The dormant subsidiary, Slang Oregon Holdings, Inc., was the surviving entity in the merger. Under IFRS 3, Business Combinations, it was determined that the acquisition did not qualify as a business combination, and therefore, it was accounted for as an asset acquisition. The Company recorded expenses on the acquisition of $1.50 million recorded in the consolidated statement of loss and comprehensive loss. These adjustments were directly related to recording the NSH asset acquisition and are not expected to impact future quarters. See Note 5 to the Financial Statements for further details.

On September 28, 2022, the Company received a Vermont retail marijuana license allowing the Company to open its CERES Collaborative dispensary on October 1, 2022. The retail revenue associated with recreational sales has provided a positive impact to revenue and gross profit in Q4 2022, and FY 2023, and is expected to continue to contribute to revenue and gross profit in the future.

At December 31, 2023, the Company's' current liabilities exceeded its current assets by $8.99 million as a result of the upcoming maturity date of the Loan Transaction (see *Liquidity and Capital Resources*). The Company is actively evaluating a full range of strategic and financial alternatives, including a business combination, sale, divestiture, acquisition, or merger involving our business or assets, restructuring, recapitalization, refinancing, or any other strategic transaction, in order to improve the Company's operations and cash position. In addition, the Company is focused on increasing revenue while exercising careful cost controls to generate profitable operations in the near term. We have continued to see healthy profit margins, which have exceeded 50% each quarter since the quarter ended March 31, 2023, and we continue to monitor and reduce expenditures. In addition, the Company continues to deliver responsible growth through new opportunities, such as growing wholesale sales in Vermont, e-commerce sales of Alchemy Naturals, and our new two-gram disposable product offerings in Colorado.

Results

Selective Financial Results

Summary information for the eight most recently completed quarters:

(In thousands of Canadian dollars except per share data)	Three-Months Ended							
	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
Net Operating Revenue from Continuing Operations	7,419	9,004	8,436	10,823	11,777	8,170	9,868	8,374
Operating Loss from Continuing Operations	(2,836)	(1,197)	(1,889)	(64)	(3,472)	(4,989)	(2,594)	(3,831)
Total Comprehensive Loss	(7,453)	(4,585)	(5,218)	(2,330)	(16,955)	(4,641)	(3,545)	(4,512)
EBITDA (Non-IFRS)	(2,087)	(475)	(1,168)	678	(1,822)	(3,432)	(1,096)	(2,360)
Adjusted EBITDA (Non-IFRS)	(1,478)	(403)	(762)	741	(56)	(1,240)	(704)	(1,645)
Total Assets	33,203	39,637	40,180	41,371	42,755	64,611	66,106	71,907
Total Liabilities	37,583	36,370	32,436	28,633	30,278	35,900	34,470	37,613
Shareholders' Equity (Deficit)	(4,380)	3,267	7,744	12,738	12,477	28,711	31,636	34,294
Earnings Per Share from Continuing Operations								
Basic	(0.05)	(0.03)	(0.01)	(0.01)	(0.15)	(0.06)	(0.03)	(0.04)
Diluted	(0.05)	(0.03)	(0.01)	(0.01)	(0.15)	(0.06)	(0.03)	(0.04)

Note: The above table presents per share earnings on a basis that is reflective of the Consolidation (as defined herein).

The following table presents selected financial data derived from the indicated periods' consolidated financial statements of the Company. The selected financial information set out below may not be indicative of the Company's future performance.

(In thousands of Canadian dollars except per share data and percentages)	For the three months ended		For the twelve months ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Net Operating Revenue From Continuing Operations	**7,419**	**11,777**	**35,682**	**38,189**
Cost of goods sold	3,618	6,077	17,007	20,566
Gross Profit Before Fair Value Adjustment of Biological Assets	**3,801**	**5,700**	**18,675**	**17,623**
Realized fair value amounts included in inventory sold	(705)	(1,298)	(2,112)	(2,976)
Unrealized gain on changes in fair value of biological assets	700	293	2,056	1,799
Gross Profit	**3,796**	**4,695**	**18,619**	**16,446**
Gross Profit Margin	**51%**	**40%**	**52%**	**43%**
Operating expenses	6,632	8,167	24,606	31,332
Operating Loss	**(2,836)**	**(3,472)**	**(5,988)**	**(14,886)**
Impairment	525	15,353	525	15,353
Expenses related to acquisitions	-	-	-	1,495
Financing cost and fair value adjustment	4,074	(3,188)	11,553	(1,349)
Other expense (income)	(336)	(169)	(298)	(924)
Loss Before Income Taxes	**(7,099)**	**(15,468)**	**(17,769)**	**(29,461)**
Income taxes	149	-	1,599	-
Net Loss From Continuing Operations	**(7,248)**	**(15,468)**	**(19,368)**	**(29,461)**
Net Loss From Discontinued Operations	-	(67)	-	(807)
Exchange on translation of foreign operations	(204)	(1,420)	(219)	615
Total Comprehensive Loss	**(7,453)**	**(16,955)**	**(19,586)**	**(29,653)**
Earnings Per Share From Continuing Operations				
Basic	**(0.05)**	**(0.15)**	**(0.10)**	**(0.29)**
Diluted	**(0.05)**	**(0.15)**	**(0.10)**	**(0.29)**
EBITDA (Non-IFRS)	**(2,087)**	**(1,822)**	**(3,052)**	**(8,709)**
Adjusted EBITDA (Non-IFRS)	**(1,478)**	**(56)**	**(1,901)**	**(3,644)**

Note: The above table presents per share earnings on a basis that is reflective of the Consolidation (as defined herein).

Revenue

SLANG generates income through two main sources in relation to the presentation on the Financial Statements: (i) product and licensing fees, and (ii) interest & other income. Below is an explanation of these two main sources of revenue.

Product and Licensing Fees

Product and licensing fees are generated through the sale of:

- Finished cannabis products sold via wholesale and retail channels.
- Product components and ingredients such as: concentrates, bases, packaging, and hardware.
- Finished non-cannabis and CBD products such as the Firefly 2+ dry-herb vaporizer, O.pen Sesh, O.pen batteries, O.pen delta-8 all-in-one vaporizers, accessories and Alchemy Naturals CBD gummies.
- Licensing fees for our brands.

Interest and Other Income

Interest and other income are mainly comprised of interest from deposits held at financial institutions, interest from loans made to third parties, and other income incidental to the Company's primary operations. Management expects interest and other income to continue to be insignificant going forward.

Results

Revenue from continuing operations decreased by $4.36 million and $2.51 million for the three and twelve months ended December 31, 2023, over the comparative periods in 2022, respectively. This variation is mainly driven by:

- Revenue from Core Market operations decreased by $4.13 million and increased by $0.70 million for the three and twelve months ended December 31, 2023, over the comparative periods in 2022, respectively. In Vermont, we experienced a reduction of $2.47 million in sales for the three months ended December 31, 2023, compared to 2022, which is mainly attributable to increased competition in recreational cannabis sales as more recreational dispensaries opened in the state. This decrease was partially offset by higher wholesale sales in Vermont, which did not exist in 2022. The increase of $3.06 million in Vermont sales for the twelve months ended December 21, 2023 compared to 2022 was driven by the increase in wholesale sales and full year impact of the opening of the Company's CERES Collaborative dispensary on October 1, 2022, Vermont's first recreational cannabis store. In Colorado, we experienced a reduction of $1.66 million and $2.36 million in sales for the three and twelve months ended December 31, 2023, over the comparable periods in 2022, respectively. This represents a 13% decrease in the Company's Colorado sales year over year and is in line with the market-wide decline in the Colorado, which decreased by 13% year-over-year for the twelve months ended December 31, 2023[3].
- Revenue from E-commerce increased by $0.30 million and $0.66 million for the three and twelve months ended December 31, 2023, over the comparative periods in 2022, respectively. This is primarily attributable to an increase in Firefly and Alchemy Naturals e-commerce sales.
- Revenue from our Emerging Markets increased by $0.30 million and decreased by $1.27 million for the three and twelve months ended December 31, 2023, over the comparative periods in 2022, respectively. The increase for the three months ended December 31, 2023 is primarily attributable to sales to our partner Trulieve Cannabis Corp. in Maryland. The decrease for the twelve months ended December 31, 2023 is primary attributable to reduction of sales in Florida, partially offset by an increase in sales in Maryland.
- Revenue from Distribution decreased by $0.92 million and $2.65 million for the three and twelve months ended December 31, 2023, over the comparative periods in 2022, respectively. This is primarily attributable to two distributor relationships with U.S. distributors that concluded in late 2022 and early 2023 as well as a reduction in demand for our Firefly 2+ dry herb vaporizer in Europe.

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[3] Source: BDSA.

Gross Margin

Gross profit decreased by $0.90 million and increased by $2.17 million, and gross margin increased to 51% from 40% and to 52% from 43%, for the three and twelve months ended December 31, 2023, over the comparative periods in 2022, respectively. This variance in gross profit represents a 19% decrease year-over-year and for the three months ended December 31, 2023 and a 13% increase year-over-year and for the twelve months ended December 31, 2023. Gross margins before fair value of biological assets for the three and twelve months ended December 31, 2023, increased to 51% from 48% and to 52% from 46%, while gross profit before fair value adjustment of biological assets decreased by $1.90 million and increased by $1.05 million compared with the same periods in 2022, respectively.

The Company experienced increases in gross margin due to the following two factors: (i) the acquisition of High Fidelity, Inc. ("**HiFi**") in August 2021 followed by the opening of the CERES Collaborative dispensary on October 1, 2022, bringing higher margin sales; and (ii) decreased raw cannabis input costs in Colorado. Additionally, comparing quarter-over-quarter gross margin before fair value adjustments of biological assets further highlights the Company's effort on achieving sustained margins over 50% due to the above factors, given that the gross margin before fair value adjustments of biological assets was 51%, 52%, 54% and 52% for the three months ended December 2023, September 2023, June 2023 and March 2023, respectively.

Below is the gross profit and gross profit margin from operations for the three and twelve months ended December 31, 2023, and 2022:

(In thousands of Canadian dollars except percentages)	For the three months ended		For the twelve months ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Net Operating Revenue From Continuing Operations	7,419	11,777	35,682	38,189
Cost of goods sold	3,618	6,077	17,007	20,566
Gross Profit Before Fair Value Adjustment of Biological Assets	**3,801**	**5,700**	**18,675**	**17,623**
Realized fair value amounts included in inventory sold	(705)	(1,298)	(2,112)	(2,976)
Unrealized gain on changes in fair value of biological assets	700	293	2,056	1,799
Gross Profit	**3,796**	**4,695**	**18,619**	**16,446**
Gross Margin	**51%**	**40%**	**52%**	**43%**
Gross Profit Before Fair Value Adjustment of Biological Assets	**3,801**	**5,700**	**18,675**	**17,623**
Gross Margin Before Fair Value Adjustment of Biological Assets	**51%**	**48%**	**52%**	**46%**

Below is the gross profit and gross profit margin from operations for the most recent eight quarters:

(In thousands of Canadian dollars except percentages)	Three-Months Ended							
	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
Net Operating Revenue From Continuing Operations	**7,419**	**9,004**	**8,436**	**10,823**	**11,777**	**8,170**	**9,868**	**8,374**
Cost of goods sold	3,618	4,348	3,900	5,141	6,077	4,153	5,601	4,735
Realized fair value amounts included in inventory sold	(705)	(375)	(609)	(423)	(1,298)	(584)	(580)	(514)
Unrealized gain on changes in fair value of biological assets	700	480	419	457	293	170	806	530
Cost of Goods Sold	**3,623**	**4,243**	**4,090**	**5,107**	**7,082**	**4,567**	**5,375**	**4,719**
Gross Profit	**3,796**	**4,761**	**4,346**	**5,716**	**4,695**	**3,603**	**4,493**	**3,655**
Gross Margin	**51%**	**53%**	**52%**	**53%**	**40%**	**44%**	**46%**	**44%**
Gross Profit Before Fair Value Adjustment of Biological Assets	**3,801**	**4,656**	**4,536**	**5,682**	**5,700**	**4,017**	**4,267**	**3,639**
Gross Margin Before Fair Value Adjustment of Biological Assets	**51%**	**52%**	**54%**	**52%**	**48%**	**49%**	**43%**	**43%**

Expenses and Other Income

(In thousands of Canadian dollars)	For the three months ended		For the twelve months ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Consulting and subcontractors (1)	71	233	1,174	1,811
Sales and marketing (2)	321	295	1,435	1,339
Professional fees (3)	626	308	2,112	1,649
Salaries and wages (4)	2,711	3,535	10,606	11,332
General and administrative (5)	1,264	1,208	4,398	3,692
Insurance (6)	358	423	1,464	2,093
Depreciation and amortization (7)	676	1,404	2,323	5,528
Expected credit losses (8)	13	39	45	179
Share based payments (9)	591	722	1,049	3,709
Total operating expenses from continuing operations	**6,631**	**8,167**	**24,606**	**31,332**
Other expense (income) (10)	(336)	(169)	(298)	(924)
Impairment (11)	525	15,353	525	15,353
Expenses related to acquisitions (12)	-	-	-	1,495
Financing cost and fair value adjustment (13)	4,074	(3,188)	11,553	(1,349)
Income taxes (14)	149	-	1,600	-
Net loss from discontinued operations (15)	-	67	-	807
Exchange differences on translation	204	1,420	219	(615)
Total Expenses	**11,247**	**21,650**	**38,205**	**46,099**

Operating Expenses

(1) Consulting and subcontracting expenses decreased by $0.16 million and $0.64 million for the three and twelve months ended December 31, 2023 over the comparative periods in 2022, respectively. The decrease for the twelve months is mainly attributable to consulting fees paid to the Company's previous financial advisor, MACCO Restructuring Group, LLC (**"MACCO"**). MACCO was engaged between the period of October 2021 through September 2022, and these cost savings were partially offset by consulting fees incurred in 2023 associated with services relating to the filing of the Company's ERTC and consulting fees associated with the Company's ERP implementation for its Vermont subsidiaries, which occurred on October 1, 2023.

(2) Sales and marketing expenses increased by $0.03 million and $0.10 million in the three and twelve months ended December 31, 2023, compared to the same periods in 2022, respectively. This is mainly attributable to the Company continuing to invest in digital advertising to grow e-commerce sales nationally, as well as in-store advertising in Colorado and Vermont.

(3) Professional fees increased by $0.32 million and $0.46 million for the three and twelve months ended December 31, 2023 over the comparative periods in 2022, respectively. This is mainly due to increased audit, tax, and legal fees associated with the Company's upcoming regulatory filings in 2024.

(4) Salaries and wages for the three and twelve months ended December 31, 2023, have decreased by $0.82 million and $0.73 million over the comparative periods in 2022, respectively. This variation was mainly driven by: (i) a decrease of $0.61 million and $0.97 million in salaries and wages in Colorado for the three and twelve months ended December 31, 2023, (ii) a decrease of $0.30 million and an increase of $0.11 million in salaries and wages in Vermont for the three and

twelve months ended December 31, 2023, and (iii) an increase of $0.06 million and $0.25 million in board fees and committee compensation for the three and twelve months ended December 31, 2023. For the twelve months ended December 31, 2023, the increase in Vermont salaries and wages results from the full year impact of the additional scale required to support the new recreational market and Ceres Collaborative recreational store which opened on October 1, 2022.

(5) General and administration expenses increased by $0.06 million and $0.71 million in the three and twelve months ended December 31, 2023 compared to the same periods in 2022. The increase is mainly attributable to higher shipping costs of $0.06 million and $0.38 million for the three and twelve months ended December 31, 2023 and an increase of $0.41 million for the twelve months ended December 31, 2023 in general and administrative expenses in Vermont due to the additional scale required to support the new recreational market and Ceres Collaborative recreational store which opened on October 1, 2022.

(6) Insurance premiums for the three and twelve months ended December 31, 2023 have decreased by $0.07 million and $0.63 million over the comparative periods in 2022, respectively. The decrease is mainly due to lower costs associated with D&O insurance which was renegotiated for the period from September 2022 to August 2023. The Company expects to realize continued cost savings for the period from September 2023 to August 2024 as the Company was able to secure a new D&O insurance provider at more competitive rates. Insurance premiums related to D&O in the cannabis industry continue to be high and difficult to obtain when compared to other industries. Recent industry challenges associated with other public entities has increased the perceived risk exposure with some insurance carriers exiting the marketplace. We expect that premiums will continue at elevated levels and that insurance expense will be a volatile expense category on an ongoing basis.

(7) Depreciation and amortization in the quarter is primarily driven by intangible assets as a result of acquisitions made throughout 2019, 2020 and 2021. Typically, a significant amount of the purchase price has been allocated to intangible assets. Depreciation and amortization have decreased by $0.73 million and $3.21 million for the three and twelve months ended December 31, 2023, over the comparative periods in 2022. This decrease is mainly a result of impairment taken on various intangibles and fixed assets in 2022, resulting in lower depreciation and amortization on a go forward basis.

(8) Management determines the expected credit loss by evaluating individual receivable balances and considering a member's financial condition and current economic conditions. Accounts and other receivables are written off when deemed uncollectible. Expected credit losses for the three months ended December 31, 2022, and December 31, 2023, and the twelve months ended December 31, 2023, were insignificant. For the twelve months ended December 31, 2022, expected credit losses were mainly attributed to related party balances from the Company's Oregon licensee, GNT Oregon, LLC.

(9) Share based payments includes stock options for employees, advisors, and directors and restricted stock units issued to key management personnel in previous periods. Options granted vest over a four-year period from the issuance date, with the compensation expense recognized over that period. Compensation expenses in regard to restricted stock units **("RSUs")** are recognized over the vesting period established by the Board. The decrease of $0.13 million and $2.66 million in share-based payments for the three and twelve months ended December 31, 2023

over the comparative periods in 2022 is mainly due to: (i) the comparative periods including $0.46 million and $2.18 million in share-based payments related to third party agreements, (ii) a higher volume of RSUs and other share based compensation granted in 2020 and 2021 resulting in more expenses during the three and twelve months ended December 31, 2022 compared to December 31, 2023 and (iii) an increase of $0.46 million and $0.30 million in share-based payments for the three and twelve months ended December 31, 2023, respectively, relating to the issuance of shares associated with employment agreements of Company employees.

Other Expenses/Income

(10) Other expenses (income) for the twelve months ended December 31, 2023 consist mainly of a $0.10 million gain on the sale of the Company's Trētap branded asset that took place in Q1 2023, a $0.03 million loss on the sale of assets and liabilities previously classified as held for sale that took place in Q3 2023, a $0.08 million gain on the sale of a building and other property plant and equipment associated with the building that took place in Q4 2023 and foreign currency exchange gains and losses. Other expenses (income) for the three and twelve months ended December 31, 2022, consisted mainly of foreign currency exchange gains and losses.

(11) Impairment for the three and twelve months ended December 31, 2023 is mainly attributable to $0.39 million in impairment on underperforming brands and $0.13 million in impairment on licenses that were associated with a facility the Company sold in December 2023.

(12) Expenses related to acquisitions of $1.49 million in the twelve months ended December 31, 2022, represent consideration in excess of the fair value of net assets acquired related to the acquisition of NSH. See Note 4 of the Financial Statements for further details.

(13) Financing cost and fair value adjustment:

The table below details the values that contribute to financing costs and fair value adjustments. Following the table are details which describe the trends, events, transactions, and expenditures that would be material to the reader.

(In Canadian dollars)	For the three months ended		For the twelve months ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Fair value adjustment on derivative liabilities **a) & b)**	(364,588)	(168,119)	(100,653)	(4,646,676)
Accretion on lease liabilities **c)**	174,100	193,985	745,573	723,819
Accretion expense **d)**	2,315,700	1,154,043	7,186,749	3,544,887
Interest on convertible notes	730,244	700,357	2,788,235	2,460,969
Other interest expense	28,289	16,769	99,858	150,455
Gain on extinguishment of financial instruments	-	(198,809)	-	(198,809)
Fair value adjustment on financial instruments **e)**	1,190,066	(4,886,658)	833,637	(3,384,027)
Total	**4,073,811**	**(3,188,432)**	**11,553,399**	**(1,349,382)**

a) On April 30, 2018, the Company issued a 4-year, 4% unsecured convertible promissory note to The Purple Company Inc. in the amount of US$1,843,031 (CAD $2,444,504) to exchange an existing loan to Purple Organization, Inc. On November 1, 2021, the Company entered into an amended agreement, where the maturity date is extended to January 31, 2025, and all amounts owing, including interest, are due at maturity. The note conversion option represents an embedded derivative. The fair value adjustment to the embedded derivative liability for the year ended December 31, 2023 resulted in a fair value gain of $2,681 compared to a gain of $288,300 during the same period in 2022. See Note 22 of the Financial Statements for further details.

b) On November 15, 2021, the Company entered into a convertible note for an aggregate principal amount of US$17,319,588. The convertible note is subject to an original issue discount of 3% and has a three-year term and a PIK interest rate of 9.75%, compounded quarterly, with the entire outstanding balance, including interest, becoming due and payable on the third anniversary of the transaction. Additionally, the Company will pay the lenders a maturity fee in an amount equal to US$3,637,113 on the earlier of: (i) the maturity date; and (ii) any date of prepayment of the initial loan amount. The note conversion option represents an embedded derivative and the fair value adjustment to the embedded derivative liability for the year ended December 31, 2023, resulted in a fair value gain of $97,972 compared to a gain of $4,358,376 during the same period in 2022. See Note 22 of the Financial Statements for further details.

c) Right-of-use assets are comprised of the Company's leased premises and offices and are depreciated on a straight-line basis over each respective lease term. The amounts presented for the three and twelve months ended December 31, 2023 represent the accretion of the lease liabilities associated with the right-of-use assets.

d) The accretion expense represents $296,581 in accretion on The Purple Company Inc. note described in a) above for the year ended December 31, 2023 compared to $237,060 for the same period in 2022, and $6,890,168 in accretion on the convertible note described in b) above for the year ended December 31, 2023, compared to $3,307,827 for the same period in 2022.

e) The fair value adjustment on financial instruments for the twelve months ended December 31, 2023 relates to a fair value gain of $356,429 on the contingent consideration associated with the HiFi acquisition before the settlement on February 13, 2023 (see Note 19 of the Financial Statements for further details), offset by a fair value loss of $1,190,066 on the Woah Flow note (see Note 12 of the Financial Statements for further details). The fair value adjustment on financial instruments for the twelve months ended December 31, 2022 relates to a fair value gain of $4,288,815 on the contingent consideration associated with the HiFi acquisition and a fair value loss on the deposit related to the NSH acquisition of $904,788.

(14) Income taxes are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statement of financial position. For the three and twelve months ended December 31, 2023, the Company recognized income tax expense of $149,248 and $1,599,548 in the consolidated statement of loss and comprehensive loss, compared to no income tax expenses in the same periods in 2022. As of December 31, 2023, the Company recorded $1.60 million for uncertain tax positions related to the treatment of certain transactions and deductions under IRC Section 280E (as defined herein) based on legal interpretations that challenge the Company's tax liability under IRC Section 280E. See Note 29 to the Financial Statements for further details.

(15) During the year ended December 31, 2021, the Company entered a plan to sell certain assets and discontinued the operations of SCC's and CHC's CGU. Revenues, expenses, and gains or losses relating to the discontinuance of SCC and CHC have been eliminated from net loss from continuing operations and were shown as a single line item in the consolidated statement of loss and comprehensive loss until December 31, 2022.

Non-IFRS Measures

EBITDA and Adjusted EBITDA are non-IFRS financial measures that the Company uses to assess its operating performance. EBITDA is defined as net earnings (loss) before net finance costs, income tax expense and depreciation expense. Management defines Adjusted EBITDA as EBITDA adjusted for other non-cash items such as the impact of unrealized fair values, inventory, and biological assets fair value adjustments, share based compensation expense, impairments, expected credit losses, one-time gains and losses, and one-time revenues and expenses. This data is furnished to provide additional information, they are non-IFRS measures and do not have any standardized meaning prescribed by IFRS. The Company uses these non-IFRS measures to provide shareholders and others with supplemental measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties, frequently use these non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. As other companies may calculate these non-IFRS measures differently than the Company, these metrics may not be comparable to similarly titled measures reported by other companies. We caution readers that Adjusted EBITDA should not be substituted for determining net loss as an indicator of operating results, or as a substitute for cash flows from operating and investing activities.

EBITDA and Adjusted EBITDA Reconciliation

(In thousands of Canadian dollars)	For the three months ended		For the twelve months ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Net Operating Revenue from Continuing Operations	7,419	11,777	35,682	38,189
Cost of Goods Sold	3,618	6,077	17,007	20,566
Realized fair value amounts included in inventory sold	(705)	(1,298)	(2,112)	(2,976)
Unrealized gain on changes in fair value of biological assets	700	293	2,056	1,799
Gross Profit	**3,796**	**4,695**	**18,619**	**16,446**
Operating expenses	6,632	8,167	24,605	31,332
Operating Loss	**(2,836)**	**(3,472)**	**(5,986)**	**(14,886)**
Depreciation	676	1,404	2,323	5,528
Depreciation - reclassed to cost of sales	73	246	611	648
EBITDA (Non-IFRS)	**(2,087)**	**(1,822)**	**(3,052)**	**(8,710)**
Share based payments	591	722	1,049	3,709
Inventory and biological assets fair value adjustments	5	1,005	56	1,177
Expected credit loss	13	39	45	179
Adjusted EBITDA (Non-IFRS)	**(1,478)**	**(56)**	**(1,902)**	**(3,645)**

EBITDA

EBITDA reduced by $0.27 million and improved by $5.66 million for the three and twelve months ended December 31, 2023 when compared to 2022, respectively.

The reduction in EBITDA for the three months ended December 31, 2023 was primarily attributable to a $1.07 million reduction in gross profit (excluding depreciation costs), partially offset by a $0.81 million reduction in operating expenses (excluding depreciation expenses). The reduction in operating expenses is mainly attributed to a $0.82 million reduction in salaries and wages, a $0.13 million reduction in share-based compensation, a $0.16 million reduction in consulting and subcontractors, offset by a $0.32 million increase in professional fees and a $0.06 million increase in general and administrative expenses. See *Gross Margin* and *Expenses and Other Income* for details surrounding the increase in gross profit and the reduction in operating expenses.

The improvement in EBITDA for the twelve months ended December 31, 2023 was primarily attributable to a $2.14 million improvement in gross profit (excluding depreciation costs) and a $3.52 million decrease in operating expenses (excluding depreciation expenses). The decrease in operating expenses is mainly attributed to a $2.66 million reduction in share-based compensation, a $0.63 million reduction in insurance expenses, a $0.73 million reduction in salaries and wages, a $0.64 million reduction in consulting and subcontractors, offset by a $0.46 million increase in professional fees and a $0.71 million increase in general and administrative expenses. See *Gross Margin* and *Expenses and Other Income* for details surrounding the increase in gross profit and the reduction in operating expenses.

Adjusted EBITDA

Adjusted EBITDA reduced by $1.42 million and improved by $1.74 million for the three and twelve months ended December 31, 2023, when compared to 2022, respectively.

The reduction in Adjusted EBITDA for the three months ended December 31, 2023 was primarily attributable to a $2.07 million reduction in gross profit before fair value adjustments of biological assets (excluding depreciation costs) offset by a $0.65 million reduction in operating expenses (excluding depreciation expenses, expected credit losses and share-based compensation). The reduction in operating expenses is mainly attributable to a $0.82 million reduction in salaries and wages, a $0.16 million reduction in consulting and subcontractors, offset by a $0.32 million increase in professional fees and a $0.06 million increase in general and administrative expenses. See *Gross Margin* and *Expenses and Other Income* for details surrounding the increase in gross profit and the reduction in operating expenses.

The improvement in Adjusted EBITDA for the twelve months ended December 31, 2023 was primarily attributable to a $1.02 million improvement in gross profit before fair value adjustments of biological assets (excluding depreciation costs), and a $0.73 million reduction in operating expenses (excluding depreciation expenses, expected credit losses and share-based compensation). The reduction in operating expenses is mainly attributed to a $0.63 million reduction in insurance expenses, a $0.73 million reduction in salaries and wages, a $0.64 million reduction in consulting and subcontractors, offset by a $0.46 million increase in professional fees and a $0.71 million increase in general and administrative expenses. See *Gross Margin* and *Expenses and Other Income* for details surrounding the increase in gross profit and the reduction in operating expenses.

4. Resources, Relationships and Risk

Resources

Financial Position

(In thousands of Canadian dollars except per dividends, per share)	As of 31-Dec-23	As of 31-Dec-22
Cash	5,057	7,849
Restricted cash	3,979	4,071
Working capital (deficit), excluding restricted cash	(12,965)	12,855
Total investments (1)	-	1,112
Total assets	33,203	42,755
Total liabilities	37,583	30,278
Shareholders' Equity (deficit)	(4,380)	12,477
Dividends, per share	-	-

(1) This represents the sum of total investments, and interests in equity method investees.

The net decrease in cash and restricted cash year-over-year is mainly due to $2.62 million of cash flows used in operating activities, $0.51 million of cash flows used in financing activities, offset by $0.45 million of cash flows from investing activities. Additionally, $0.20 million in unfavourable foreign exchange impacts were realized in the year. The decrease in working capital is mainly due to a $21.51 million decrease as consequence of the reclassification of the Loan Transaction (see *Liquidity and Capital Resources*) from non-current to current liabilities as result of the Loan Transaction (see *Liquidity and Capital Resources*). Additionally, a $2.79 million decrease in cash, a $0.74 million decrease in accounts receivable, partially offset by a decrease in deferred cash consideration of $0.34 million also contributed to the decrease in working capital.

Liquidity and Capital Resources

On November 16, 2021, the Company announced a term-loan financing (the "**Loan Transaction**") with participation from Trulieve Cannabis Corp., a leading and top-performing cannabis company based in the United States, and two existing significant shareholders of the Company, Pura Vida Investments and Seventh Avenue Investments and other investors (collectively, the **"Lenders"**), for an aggregate principal amount of US$17.3 million (the "**Initial Loan Amount**"). The Loan Transaction is subject to an original issue discount of 3% and has a three-year term and a PIK interest rate of 9.75%, compounded quarterly, with the entire outstanding balance, including interest, becoming due and payable on the third anniversary of the Loan Transaction (the "**Maturity Date**"). 50% of the net loan proceeds were originally allocated to the development of operations in Vermont to achieve long-term profitability and further execute strategic growth objectives. On June 27, 2022, the Company and the Lenders amended certain covenants of the original Loan Transaction, most notably an adjustment which no longer requires US$8.65 million to be allocated to the development of Vermont's operations. Pursuant to the Loan Transaction Agreement, the Company is obligated to pay the Lenders an aggregate total amount equal to US$3.6 million (together with the Initial Loan Amount, the "**Convertible Debt**") on the earlier of: (i) the Maturity Date; and (ii) any date of prepayment of the Initial Loan Amount. In addition, the Company has granted the Lenders an option to, at any time on or prior to the Maturity Date, convert any portion of the Convertible Debt, including the earned interest thereon, into Common Shares at a price per Common Share equal to US$0.7638. The Convertible Debt is secured by a first secured ranking on the assets of SLANG, guaranteed on a senior secured basis by certain of SLANG's subsidiaries. The net loan proceeds are for both working capital and to fund the development of Vermont's operations. Based on the terms of the Loan Transaction, management originally reconciled the net use of funds as follows: net proceeds of US$16.8 million, less a minimum cash balance requirement of US$3.0 million, US$8.65 million allocated to the development of Vermont's operations and US$5.15 million allocated to general working capital requirements. Subsequently, the Company had planned to move forward with advancing funds to Woah Flow, LLC to capitalize on an expansion opportunity into New Jersey, whereby it intended to obtain a retail license to operate within the state. The Company has since decided not to move forward with the opportunity and is looking for opportunities for divestiture. Additionally, as a result of the amendment to the original Loan Transaction, the Company has reallocated the remainder of the proceeds to general working capital requirements.

The Company's anticipated use of proceeds from the Loan Transaction is presented below and has been updated for the amendment discussed above and the proceeds utilized as of December 31, 2023:

Anticipated Use of Proceeds (In Canadian dollars)	Allocation of Proceeds	Proceeds Used 31-Dec-23
General Working Capital Requirements	17,268,629	12,211,865
Investment in New Jersey (Woah Flow, LLC)	1,035,001	1,035,001
Restricted Proceeds	3,979,050	-
Total	**22,282,680**	**13,246,866**

Note: the allocation of proceeds is updated to reflect in Canadian dollars at each reporting period.

Cash Flows

The below table summarizes the Company's cash flows from operating, financing, and investing activities and the segregation of these cash flows between continuing operations and discontinued operations.

(In Canadian dollars)	For the twelve months ended	
	31-Dec-23	31-Dec-22
Cash flows used in operating activities - continuing operations	(2,621,413)	(3,133,958)
Cash flows used in operating activities - discontinued operations	-	(598,454)
Cash flows used in financing activities - continuing operations	(511,186)	(1,950,460)
Cash flows used in financing activities - discontinued operations	-	(385,269)
Cash flows from (used in) investing activities - continuing operations	447,228	(4,012,416)
Cash flows from investing activities - discontinued operations	-	246,339
Exchange rate changes on foreign currency cash balances	(198,600)	922,955
Net decrease in cash	**(2,883,971)**	**(8,911,263)**

Operating Activities

For the twelve months ended December 31, 2023, cash out-flows used in continuing operating activities were $2.62 million, compared to $3.13 million cash out-flows used in operating activities for the twelve months ended December 31, 2022. This improvement of $0.51 million was primarily achieved due to increased gross profit and the reduction of expenditures during the year. Additionally, for the twelve months ended December 31, 2023, there were no cash out-flows used in discontinued operating activities, compared to $0.60 million used for the twelve months ended December 31, 2022.

Financing Activities

For the twelve months ended December 31, 2023, cash out-flows used in continuing financing activities were $0.51 million, compared to $1.95 million in cash out-flows from continuing financing activities for the twelve months ended December 31, 2022. This decrease in cash outflows is attributed to the receipt of $1.72 million in ERTCs and a $0.52 million reduction in the repayment of notes payable, offset by a $0.72 million increase in withholding taxes on RSU issuances and shares issued to employees, a $0.14 million increase in lease payments. Additionally, for the twelve months ended December 31, 2023, there were no cash out-flows used in discontinued financing activities, compared to $0.39 million used for the twelve months ended December 31, 2022.

Investing Activities

For the twelve months ended December 31, 2023, cash flows from continuing investing activities were $0.45 million compared $4.01 million in cash out-flows used in continuing investing activities for the twelve months ended December 31, 2022. For the twelve months ended December 31, 2023, the cash flows were primarily related to the proceeds received from the sale of a building and other property, plant and equipment associated with the building in the amount of $0.67 million, proceeds received from the sale of Trētap branded assets in the amount of $0.21 million, proceeds received from the sale of assets and liabilities previously classified as held for sale in the amount of $0.21 million, offset by deferred cash consideration payment on the acquisition of HiFi in the amount of $0.33 million, and the purchase of property plant and equipment in Vermont and Colorado in the amount of $0.30 million. For the twelve months ended December 31, 2022, the cash out-flows were primarily related to the subsequent cash payment on the acquisition of HiFi in the amount of $2.38 million as well as $1.01 million in loan advances made to Woah Flow, LLC. In early 2023, the Company made the decision not to move forward with any future investment into Woah Flow, LLC. Additionally, for the twelve months ended December 31, 2023, there were no cash flows from discontinued investing activities, compared to $0.25 million of cash in-flows for the twelve months ended December 31, 2022.

Going Concern

The Financial Statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the Financial Statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these Financial Statements.

As at December 31, 2023, the Company had a working capital deficit of $8,985,777 and the Company is generating negative cash flows from operating activities during the year ended December 31, 2023 of $2,621,413 and incurred a net loss and comprehensive loss of $19,585,554. In addition, the Company's Convertible Note matures on November 15, 2024, refer to Note 22 of the Financial Statements. The Company's accumulated losses, working capital deficit, net loss for the period, and maturity date of the Convertible Note are indicators of material uncertainty that may cast significant doubt about whether the Company will be able to support its operations and meet its obligations in the near term and continue as a going concern.

The Company is actively mitigating this concern by evaluating a full range of strategic and financial alternatives, including a potential business combination, sale, divestiture, acquisition, or merger involving our business or assets, restructuring, recapitalization, refinancing, or any other strategic transaction, in order to improve the Company's operations and cash position. In addition, the Company is focused on increasing revenue and at the same time exercising careful cost controls to improve profitability of the Company.

Outstanding Share Data

Description	Authorized Capital of the Company	Outstanding as of the date of this MD&A
Common Shares	Unlimited	97,267,570[1]
Restricted Voting Shares	Unlimited	130,444,817[1]
Warrants	N/A	13,977,287[1][2]
Convertible Promissory Note	N/A	US$1,843,031[3]
Convertible Debt	N/A	US$17,319,588[4]

Notes:

1. On February 18, 2022, the Company received approval from its shareholders for a consolidation of its issued and outstanding share capital on the basis of one post-consolidation share for every six pre-consolidation shares (the **"Consolidation"**). The Consolidation was effective on February 28, 2022, with any fractional shares rounded down to the nearest whole number. Trading on a consolidated basis commenced as of market open on March 3, 2022. The above table is reflective of the Consolidation.

2. Includes 8,170,587 warrants held by Canopy Growth Corporation ("**Canopy**") calculated pursuant to a formula. Each warrant held by Canopy becomes exercisable at any time following the day that cannabis and cannabis-related products are legalized under applicable federal laws in the United States and Canopy makes a bona-fide offer to enter into a collaboration agreement with the Company. The exercise price per share is variable between nominal and $9.00 per Common Share. The expiry date is the earlier of: (i) December 15, 2032; and (ii) two years from the date of U.S. federal cannabis legalization.

3. The Company has a Convertible Promissory Note, issued April 30, 2018, which has a value of US$1,843,031 and is convertible into Common Shares at a price of $1.20 per Common Share. The maximum number of Common Shares issuable pursuant to the April 30, 2018 note is variable based on the exchange rate and any accrued and unpaid interest. On November 8, 2021, the Company and The Purple Company Inc. entered into an amending agreement to the unsecured convertible promissory note whereby the maturity date was extended to January 31, 2025 and from the period commencing November 1, 2021 to January 31, 2025, the note shall accrue interest at 4%, accrued on a monthly basis, with no cash payment of accrued interest being made until maturity.

4. This Initial Loan Amount is subject to an original issue discount of 3% and will have a three-year term and a PIK interest rate of 9.75%, compounded quarterly, with the entire outstanding balance, including interest, becoming due and payable on the third anniversary of the Loan Transaction. The Company will pay the Lenders an aggregate total amount equal to US$3.6 million on the earlier of: (i) the Maturity Date; and (ii) any date of prepayment of the Initial Loan Amount. In addition, the Lenders have an option to, at any time on or prior to the Maturity Date, convert any portion of the Convertible Debt, including the earned interest thereon, into Common Shares at a price per Common Share equal to US$0.7638.

5. On April 27, 2022, the Board approved a new share compensation plan (the "**Share Compensation Plan**") which was approved by shareholders on June 16, 2022 at the Company's annual general and special meeting. The aggregate number of shares available for issuance from treasury under the Share Compensation Plan is 15% of the issued and outstanding shares of the Company at any given time, provided that only 10,000,000 shares may be issued pursuant to the grant of restricted share units.

Relationships

Related Party Transactions

At December 31, 2023 and December 31, 2022 there were no balances due to or from related parties and there were no transactions with related parties during the three and twelve months ended December 31, 2023 other than those related to key management compensation outlined in Note 30 of the Financial Statements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

Regulatory Overview

Issuers With U.S. Cannabis-Related Activities

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities (the "**Staff Notice**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

As a result of the Company's existing operations and recent acquisitions in the United States, the Company is subject to the Staff Notice and accordingly provides the following disclosures.

Nature of Involvement

As of December 31, 2023, approximately 100**%** of the Company's revenue was derived from U.S. marijuana-related activities. While a significant component of the Company's revenue is derived from its ownership, licensing and marketing of cannabis brands, the Company is also directly involved in the production and distribution of cannabis in the states of Colorado and Vermont.

United States Federal Overview

In the U.S., 39 states, the District of Columbia and the U.S. territories of Guam, the U.S. Virgin Islands, and Puerto Rico have comprehensive medical cannabis programs. Twenty-four of those states, the District of Columbia, Guam, and Northern Mariana have legalized cannabis for adults for non-medical purposes (sometimes referred to as adult or recreational use). Eight additional states have legalized low potency cannabis for select medical conditions. Only three states continue to prohibit cannabis entirely.

Nonetheless, state and other federal laws and regulations may limit the cultivation, production, and sale of certain hemp products.

Hemp

On December 20, 2018, former President Trump signed into law the *Agricultural Improvement Act of 2018* (the "**2018 Farm Bill**"),[4] which changed hemp's legal status by removing hemp and extracts of hemp from the schedules of the Controlled Substances Act (the "**CSA**"). Accordingly, the production, sale, and possession of hemp or extracts of hemp no longer violate the CSA. Under the 2018 Farm Bill, hemp is defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol (the "**THC**") concentration of not more than 0.3% on a dry weight basis" ("**Hemp**"). The 2018 Farm Bill allows hemp cultivation under state plans approved by the U.S. Department of Agriculture ("**USDA**") or under USDA regulations in states that have legalized hemp but not implemented their own state plans. As of March 2024, the USDA had approved 42 state plans, three Territory plans, and 54 tribal plans, and confirmed that eight other states and eight other tribes would allow entities to attain licenses under USDA regulations.[5]

The 2018 Farm Bill also created a specific exemption from the CSA for THC found in hemp. By defining hemp to include cannabinoids, derivatives, and extracts, the DEA no longer has regulatory jurisdiction over hemp products, so long as the THC level of such products is at or below 0.3% delta-9 on a "dry weight basis" and the hemp and its derivatives were grown and processed by a person holding a license issued by either (i) the USDA or (ii) the applicable state agency in a state with a USDA-approved hemp plan.

Despite the passage of the 2018 Farm Bill, there remains some ambiguity as to which products are considered lawful under federal laws in the United States, including, without limitation (i) products containing CBD; (ii) products containing, for example, certain amounts of delta-9 THC per serving, but less than 0.3% delta-9 THC on a "dry weight basis"; and (iii) products containing delta-8 THC (or other hemp-derived THC isomers). Much of this ambiguity is due to federal statutes and regulations other than the 2018 Farm Bill and/or the CSA, including, without limitation, DEA's Interim Final Rule (the "**IFR**"),[6] Federal Food, Drug, and Cosmetic Act ("**FDCA**"),[7] and Federal Analogue Act,[8] and the enforcement priorities (or lack thereof) of the federal agencies tasked with enforcing such laws and regulations.

For example, on August 21, 2020, the DEA issued the IFR to implement the 2018 Farm Bill. Even though the 2018 Farm Bill removed hemp and THCs in hemp from scheduling under the CSA, the IFR purported to clarify that material that exceeds 0.3% delta-9 THC remains controlled in Schedule I of the CSA. Additionally, the IFR stated that the 2018 Farm Bill does not impact the control status of synthetically derived THCs, for which the DEA claims that the amount of THC is not a determining factor in whether the material is a controlled substance. "Synthetically derived" is not defined in the IFR. Many states have defined "synthetically derived" to include delta-8 THC. In addition, it is worth noting that at the DEA's May 2023

[4] The Agriculture Improvement Act of 2018, Pub. L. 115-334. Notably, instead of enacting a new 5-year farm bill, as of mid-November 2023, Congress is currently on track to pass a 1-year extension of the 2018 Farm Bill, which expired September 30, 2023. *See, e.g.,* Agri-Pulse, "Farm bill extension, stopgap spending bill clear house," (November 14, 2023), https://www.agri-pulse.com/articles/20278-farm-bill-extension-stopgap-spending-bill-pass-house. Whether Congress will change the definition of hemp or otherwise impose limitations on hemp-derived products (including, specifically, hemp intoxicating products) remains unclear.

[5] *Status of State and Tribal Hemp Production Plans for USDA Approval*, USDA, https://www.ams.usda.gov/rules-regulations/hemp/state-and-tribal-plan-review (last visited March 31, 2024).

[6] *See* 85 FR 51639 (August 21, 2020)

[7] *See* 21 U.S.C. 301 *et seq.*

[8] *See* 21 U.S.C. 813.

Supply Chain Conference, Terrence Boos (Chief of the DEA's Drug & Chemical Evaluation Section) reportedly stated that the agency intends to propose a new rule clarifying that cannabinoids chemically converted from CBD would be considered "synthetically derived," and thus controlled under the CSA.[9]

Further, under the Federal Analogue Act, substances that are "substantially similar" to controlled substances and which have a "stimulant, depressant, or hallucinogenic effect on the central nervous system (CNS) that is substantially similar to or greater than" the particular controlled substance, are treated as controlled substances under U.S. federal law.[10]

Finally, although the 2018 Farm Bill removes hemp from the CSA, the 2018 Farm Bill does preserve the authority and jurisdiction of the Food and Drug Administration (the "**FDA**"), under the FDCA, to regulate the manufacture, marketing, and sale of food, drugs, dietary supplements, and cosmetics, including products that contain hemp extracts and derivatives, such as CBD. The FDCA will therefore continue to apply to hemp-derived food, drugs, dietary supplements, cosmetics, and devices introduced, or prepared for introduction, into interstate commerce. As a producer and marketer of hemp-derived products, the Corporation must comply with FDA regulations applicable to manufacturing and marketing of certain products, including food, dietary supplements, and cosmetics. However, the FDA has taken the position that it is unlawful to sell or market a dietary supplement or food containing CBD.

That said, FDA's enforcement actions to date have been limited to warning letters. Moreover, the FDA's warning letters citing FDA's prohibition on the sale or marketing of dietary supplements or foods containing CBD have primarily been sent to CBD companies that make "egregious and unfounded" health claims, such as a product's purported ability to treat or cure serious diseases and conditions like COVID-19, cancer, or diabetes. By contrast, the FDA has not generally enforced against CBD companies whose CBD products are devoid of such claims. The FDA has sent similar letters to companies for selling products containing delta-8 THC.

In addition, the FDA has issued policy statements expressing concerns about delta-8's psychoactive and intoxicating effects; noting that products containing delta-8 have not been evaluated or approved by the FDA for safe use and may be marketed in ways that put the public health at risk; and highlighting that it has received adverse event reports involving products containing delta-8.[11]

In sum, despite the positive changes brought by the 2018 Farm Bill, there remain a number of considerations, potential changes in laws, and uncertainties regarding the cultivation, sourcing, production and distribution of hemp and products containing hemp derivatives. Applicable laws and regulations in the U.S. remain subject to change as there are different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses with respect to the treatment of hemp, including but not limited to the scope of operation of the 2018 Farm Bill, and the authorizations granted to 2018 Farm Bill-compliant hemp growers and licensed hemp-derived CBD or delta-8/THC isomer producers. Such interpretations touch on, among other things, the regulation of cannabinoids by the DEA and FDA. These uncertainties likely cannot be resolved without further federal and state legislation, regulation or a definitive judicial interpretation of existing legislation and rules, and in the interim period, there remain several legal

[9] *See, e.g.,* Marijuana Moment, "DEA Official Says New Rules Are Coming for Synthetic Cannabinoids, Including CBD and Delta-8 THC," (May 17, 2023), https://www.marijuanamoment.net/dea-official-says-new-rules-are-coming-for-synthetic-cannabinoids-including-cbd-and-delta-8-thc/. In mid-August, 2023, news reports discussed a 2021 email from Mr. Boos (uncovered from litigation) that again reiterates his opinion that delta-8 chemically converted from CBD would be considered "synthetic" and thus controlled under the CSA. *See, e.g.,* Ganjapreneur Article (August 16, 2023), https://www.ganjapreneur.com/dea-confirmed-to-believe-delta-8-thc-synthesized-from-cbd-is-federally-illegal/.
[10] *See, e.g.,* 21 U.S.C. 802(32)(a)
[11] *See, e.g.,* FDA, "5 Things to Know about Delta-8 Tetrahydrocannabinol – Delta-8 THC," (May 4, 2022), https://www.fda.gov/consumers/consumer-updates/5-things-know-about-delta-8-tetrahydrocannabinol-delta-8-thc

considerations underlining the sale of hemp-derived products, including, but not limited to, (i) the fact that hemp and cannabis are both derived from the cannabis plant, (ii) the rapidly changing patchwork of state laws governing hemp and hemp-derived products, (iii) the lack of FDA approval for CBD as a food ingredient, food additive or dietary supplement, (iv) the uncertain legal status of delta-8 products, and (v) the question of what legally constitutes a "synthetically derived" hemp derivative.

In addition to the above considerations, many states have enacted laws regulating or prohibiting the production, distribution, and/or sale of certain hemp-derived products.

The Corporation derives a portion of its revenue from the sale of what it understands to be hemp. Nevertheless, the uncertainty involving federal and state laws creates a risk of enforcement of current or future U.S. federal laws or companion state laws. Such enforcement could cause financial damage to the Corporation and its shareholders.

Cannabis

At the federal level, however, cannabis remains a Schedule I controlled substance under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use and a lack of accepted safety for use under medical supervision. As such, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level. The Corporation's U.S. cannabis operations are illegal under U.S. federal law and the enforcement of relevant laws remains a risk.

Since December 2014, companies strictly complying with state *medical* cannabis laws have also been protected against enforcement by a provision (originally called the Rohrabacher-Farr amendment, now known as the Joyce amendment) included annually in omnibus spending bills, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level. Courts have interpreted the provision to bar the Department of Justice ("**DOJ**") from prosecuting any person or entity in strict compliance with state medical cannabis laws.[12] The Joyce amendment was most recently extended on December 23, 2022, and is effective through December 31, 2023.[13]

Moreover, even while the Attorney General position was filled by Jeff Sessions, who rescinded the DOJ's previously issued guidance permitting U.S. Attorneys to exercise prosecutorial discretion in not prosecuting state-law compliant cannabis activities, the federal government has brought no criminal enforcement against any state-law compliant cannabis companies at all, not just those involved with medical cannabis. The absence of prosecutions reflects the strong public support of ending prosecutions particularly of state legal conduct, the difficulty of prosecuting a state medical cannabis licensee for activities in the same state's adult use program without "interfering" with the state medical cannabis program, and prosecutors' reluctance to bring cases particularly now that the President of the United States advocates for decriminalization and expungement.

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[12] *See, e.g., United States v. McIntosh*, 833 F.3d 1163 (9th Cir. 2016).

[13] *See* Consolidated Appropriations Act, 2023, Public Law No. 117-328, § 531, https://www.congress.gov/bill/117th-congress/house-bill/2617/text ("None of the funds made available under this Act to the Department of Justice may be used, with respect to any of the [states with medical marijuana programs], to prevent any of them from implementing their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana."). As of November 16, 2023, Congress had yet to pass necessary 2023 spending bills (which would likely include a version of the Joyce amendment), presenting instead a continuing resolution, as a stop-gap measure, to President Biden to fund the federal government through early 2024. *See, e.g.,* HR 6363 (118th Congress 2023-2024), https://www.congress.gov/bill/118th-congress/house-bill/6363/text.

President Biden has promised federal reform on cannabis, including decriminalization generally. In 2022, President Biden signed into law the "Medical Marijuana and Cannabidiol Research Expansion Act," a bill aimed at easing restrictions on cannabis research -- bipartisan legislation which is the first standalone cannabis reform bill to pass both the House and Senate. In recent years, members of the U.S. Congress from both parties have introduced bills to end the federal cannabis prohibition, by de-scheduling cannabis completely and regulating it, as well as incremental reform bills, including the "Medical Marijuana and Cannabidiol Research Expansion Act" described above. While the timing of federal reform remains unknown, it is expected that federal policy on cannabis will continue becoming more, rather than less, permissive, and legislative efforts to legalize cannabis or cannabis banking at the national level are likely to continue in 2024. However, a new President in 2024 could impact reform in ways that are unpredictable.

Biden's pledge to "decriminalize" cannabis may be reasonably interpreted to mean that any Attorney General under his administration would be permitted to order U.S. Attorneys not to enforce the federal cannabis prohibition against state law compliant entities and others legally transacting business with them. Attorney General Garland has not publicly expressed any negative views toward cannabis legalization or decriminalization. During his confirmation hearing before the U.S. Senate, Attorney General Garland testified that prosecuting companies in "states that have legalized and that are regulating marijuana, either medically or otherwise," would not be a "useful use of limited resources."[14] In April 2022, Attorney General Garland reiterated that prosecuting the possession of cannabis is "not an efficient use" of federal resources, especially "given the ongoing opioid and methamphetamine epidemic[s]" facing the nation.[15] Therefore, the status quo of federal non-enforcement is expected to continue for the foreseeable future.[16] Additionally, industry advocates remain hopeful that some reform will be possible in the coming years, including banking reform. For example, the Senate Banking Committee recently passed the Secure and Fair Enforcement Regulation Banking Act ("**SAFER**") Banking Act, which would protect financial institutions and other parties accepting money derived from the state-legal cannabis industry by "creat[ing] protections for financial institutions that provide financial services to [state-legal cannabis companies] and service providers for such businesses," and also explicitly protects insurers.[17] The SAFER Banking Act could be advanced for a vote in the Senate this legislative session.

On October 6, 2022, President Biden pardoned thousands of people with federal offenses for simple marijuana possession and directed the Attorney General and the Secretary of Health and Human Services "initiate the administrative process to review expeditiously how marijuana is scheduled under federal law."[18] The President stated that the federal government is engaged in a "failed approach to marijuana" and noted the dissonance in the federal government's classification of cannabis in Schedule I of the CSA, "the same schedule as for heroin and LSD, and even higher than the classification of fentanyl and

[14] *See Attorney General Nominee Merrick Garland Testifies at Confirmation Hearing*, https://www.c-span.org/video/?508877-1/attorney-general-nominee-merrick-garland-testifies-confirmation-hearing.

[15] *See Attorney General Garland Reconfirms the DOJ's Hands-Off Approach Toward Federal Marijuana Prosecution*, https://www.jdsupra.com/legalnews/attorney-general-garland-reconfirms-the-9983989/.

[16] Attorney General William Barr testified in his confirmation hearing on January 15, 2019, that he would not upset "settled expectations," "investments," or other "reliance interest[s]" arising as a result of the Cole Memo, and that he would not use federal resources to enforce federal cannabis laws in states that have legalized cannabis "to the extent people are complying with the state laws." In that hearing, Barr went so far as to suggest that the CSA's prohibitions of cannabis may be null in states that have legalized cannabis: "the current situation … is almost like a back door nullification of federal law." Supreme Court Justice Clarence Thomas has echoed Barr's point about nullification. In a June 2021 opinion, Supreme Court Justice Clarence Thomas addressed the current state of federal prohibition and suggested that seminal case *Gonzales v. Raich* may be decided differently today: "If the Government is now content to allow States to act 'as laboratories' 'and try novel social and economic experiments,'…then it might no longer have authority to intrude on '[t]he States' core police powers…to define criminal law and to protect the health, safety, and welfare of their citizens.'" *Standing Akimbo, LLC v. United States*, 141 S. Ct. 2236, 2238 (2021).

[17] *See, e.g.,* Secure and Fair Enforcement Regulation Banking Act, S. 2860 (118th Congress, 2023-2024), https://www.congress.gov/118/bills/s2860/BILLS-118s2860is.pdf.

[18] The White House, "Statement from President Biden on Marijuana Reform" (Oct. 6, 2022), https://www.whitehouse.gov/briefing-room/statements-releases/2022/10/06/statement-from-president-biden-on-marijuana-reform/.

methamphetamine."[19] In a late August, 2023 letter to the Drug Enforcement Administration ("**DEA**"), Health and Human Services formally recommended the rescheduling of cannabis to schedule III. As of mid-November, 2023, however, it remains unclear whether the DEA, which has final say on any rescheduling, will reclassify cannabis in accordance with the recommendation.

The Corporation has obtained legal advice from U.S. legal counsel regarding: (a) compliance with applicable U.S. state regulatory frameworks; and (b) potential exposure and implications arising from U.S. federal law. The Corporation receives such advice on an ongoing basis but does not have a formal legal opinion on such matters.

For further information, please see the discussion of the enforcement priorities of U.S. Attorneys in various U.S. states in which the Corporation operates or intends to operate set forth in subsequent sections including "*Risk Factors*."

Regulation of the Cannabis Market at State and Local Levels

The following sections present overviews of cannabis regulations in the states in which the Corporation currently has cannabis cultivation, manufacturing and distribution operations, namely Colorado and Vermont. Strict compliance with state laws does not relieve the Corporation of potential liability under U.S. federal law, nor does it provide a defense to any federal proceeding brought against the Corporation.

Summary of Colorado Regulatory Framework

Colorado has both medical and adult use cannabis programs. The Marijuana Enforcement Division ("**MED**") is the licensing and regulatory agency overseeing all retail and medical cannabis businesses in Colorado.

Licensed cannabis businesses in Colorado must have state and local approval for their license applications. Colorado state licenses are renewed annually. Each year, license holders are required to submit a renewal application per guidelines published by the MED. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, the licensed entities would expect to receive the applicable renewed license in the ordinary course of business.

Under applicable laws, the licenses permit the license holders to cultivate, manufacture, process, package, sell, or purchase cannabis pursuant to the terms of the licenses, which are issued by the MED under the provisions of Colorado Revised Statutes ("**C.R.S.**") sections 44-10-101 et seq. MED updates the rules regulating licensees periodically, and most recently, on November 9, 2023, adopted new rules which become effective on January 8, 2024, and amended the Code of Colorado Regulations ("**C.C.R.**") sections 1 C.C.R. 212-3.

Through its subsidiary, Slang Colorado Manufacturing, Inc. ("**SCM**"), the Corporation holds Marijuana Enforcement Division Infused Product Manufacturer (Medical) and Marijuana Products Manufacturer licenses (Retail) (collectively, the "**Colorado Licenses**"). Under these licenses, the Corporation's subsidiary may manufacture cannabis products, including edibles, and distribute these products to licensed retailers.

[19] *Id*.

Licenses and Regulations

Presently, the types of licenses available in Colorado include:

- *Retail Marijuana Store:* license type necessary to operate a business that sells Retail Marijuana to an individual 21 years of age or older as described in section 44-10-601 C.R.S.
- *Retail Marijuana Product Manufacturer:* license type necessary to operate a facility that manufactures retail cannabis-infused products such as edibles, concentrates or tinctures as described in section 44-10-603 C.R.S.
- *Retail Marijuana Testing Facility:* license type necessary to operate a facility that conducts potency and contaminants testing for other MED Licensed Retail Marijuana businesses as described in section 44-10-604 C.R.S.
- *Retail Marijuana Transporter:* license type necessary to provide transportation and temporary storage services to Retail Marijuana Businesses as described in section 44-10-605 C.R.S.
- *Retail Marijuana Business Operator:* license type necessary to provide professional operational services to one or more Retail Marijuana Businesses as described in section 44-10-606 C.R.S.
- *Retail Marijuana Accelerator Cultivator*: license type necessary to operate a retail marijuana product cultivation operation on the site of a retail marijuana cultivation facility with an accelerator endorsement as described in 44-10-607 C.R.S.
- *Retail Marijuana Accelerator Manufacture*: license type necessary to operate a retail marijuana product manufacturing operation on the site of a retail marijuana product manufacturing facility with an accelerator endorsement as described in 44-10-608 C.R.S.
- *Marijuana Hospitality Business*: license type necessary to operate a licensed premises that allows consumption of cannabis onsite as described in section 44-10-609 C.R.S.
- *Retail Marijuana Hospitality and Sales Business License*: license type necessary to operate a licensed premises where marijuana may be sold and consumed onsite as described in 44-10-610 C.R.S.
- *Retail Marijuana Accelerator Store License;* license type necessary for a social equity licensee to exercise the privileges of a retail marijuana store licensee on the premises of an accelerator-endorsed retail marijuana store as described in 44-10-611 C.R.S.
- *Medical Marijuana Store:* license type necessary to sell Medical Marijuana to Colorado Medical Marijuana Registry Patients and Transporting Caregivers, as described in 44-10-501 C.R.S.
- *Medical Marijuana Cultivation Facility:* license type necessary to operate a cultivation business to grow and harvest medical cannabis, as described in 44-10-502 C.R.S.
- *Medical Marijuana Infused Products Manufacturer:* license type necessary to operate a business that produces Medical Marijuana Infused Products ("**Products**"), such as edibles, concentrates or tinctures, as described in section 44-10-503 C.R.S.
- *Medical Marijuana Testing Facility:* license type necessary to operate a facility that conducts potency and contaminants testing and research for MED Medical Marijuana business license holders as described in section 44-10-504 C.R.S.
- *Medical Marijuana Transporter:* license necessary to provide transportation and temporary storage services to MED Licensed Medical Marijuana Businesses as described in section 44-10-505 C.R.S.
- *Medical Marijuana Business Operator:* license type necessary to provide professional operational services to one or more MED Licensed Medical Marijuana Businesses as described in section 44-10-506 C.R.S.
- *Medical Marijuana Research and Development License:* license necessary to grow, cultivate possess and transfer cannabis for use in research only as described in section 44-10-507 C.R.S.

All cannabis establishments must register with the MED. If applications contain all required information and certain officers and owners are successfully vetted by the state, establishments are issued a license. In a local governmental jurisdiction that issues business licenses, the issuance by the MED of a cannabis license is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local laws.

In the State of Colorado, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows the license holders to make wholesale purchases of cannabis from another licensed entity within the state.

Colorado law also imposes a number of recordkeeping, reporting, security, transportation and storage requirements on licensees.

Regulatory Framework

Colorado Revised Statutes Title 44, Article 10 provides the regulatory framework for both the medical and adult-use cannabis industries in Colorado. In addition to the statutes, the MED issues marijuana rules licensees must comply with, which are contained in 1 CCR 212-3. The MED Rules cover licensing and operating requirements, as well as license denial and approval criteria.

Licensing Requirements

Among other things, MED license applicants and licensees must provide the following information: (i) copy of the application for local approval submitted to the local jurisdiction, if required, (ii) certificate of good standing from the jurisdiction where the applicant entity was formed, (iii) identity and physical address of the registered agent in Colorado, if the applicant is an entity, (iv) corporate governance and organizational documents, (v) legal right to occupy the premises necessary to operate the licensed business, (vi) an accurate and legible diagram of the facility, (vii) agreement to undergo required suitability findings for the individual owners of the business, including background checks, (viii) financial statements, and (ix) tax documents.

Licensees must renew MED licenses annually. MED may conduct announced and unannounced inspections of any licensed facilities to assess compliance with laws and rules. MED generally conducts an annual license renewal inspection prior to approval. MED may also inspect a licensed premises upon receiving a complaint alleging that the licensee violated one or more rules. Inspections may cover the entire physical premises, business records, personnel, equipment, security, and operational procedures.

Requirements for Vaporizer Products

Since July 1, 2022, manufacturers of marijuana vaporizers have been required to meet certain testing and storage requirements. These requirements mandate the labelling of products with expiration dates, the calculation of which should include consideration of factors like additives used in making the vaporizer, the vaporizer's final formulation, and the vaporizer's ideal storage condition. Manufacturers of vaporizers must also submit every approved batch of vaporizers to a Colorado laboratory to be tested for metal contamination.

Recordkeeping and Reporting Requirements

The Corporation has a comprehensive compliance program which tracks all aspects of operations including transactions entered in the online seed-to-sale tracking system, also called an Inventory Tracking System or "METRC", in addition to compliance with all state and federal employment and safety regulations.

Security Requirements

MED licensees must always maintain fully operational alarm and video monitoring systems. Every external door or gate requires commercial grade, non-residential door locks. The alarm system must cover all entry points and must include motion detectors and pressure activated panic alarms. The 24-hour video surveillance system must record in a MED-approved digital format and maintain coverage over prescribed areas. The surveillance system must back up video footage pursuant to MED requirements. All video surveillance records and recordings must be stored in a secure area that is only accessible to a Licensee's management staff. Additionally, the surveillance system must include the ability to print color still photographs upon request. Only authorized personnel may access areas of any licensed premises where cannabis may be present. Any vendors or contractors present on site must check in through a visitor log and must always be reasonably monitored by the licensee.

Transportation and Storage Requirements

Licensees must store retail and medical cannabis and cannabis products in a limited access, secured, locked room, vault, or safe during non-operating hours. Vaults that are large enough to allow a person to walk in must have cameras inside ensuring there are no blind spots. Smaller safes must be securely anchored to a permanent structure of an enclosed area. Printed METRC manifests must accompany any product transfer between licensees. The receiving licensee must verify the identity of the product(s) and ensure that the weight or number of units comports with the manifest. MED licensees must maintain all records for at least three years. During transport, the transporter must keep products in a locked receptacle within the vehicle and may not make any unnecessary stops.

Activities in Colorado

In Colorado, SLANG currently holds Colorado Department of Revenue, Marijuana Enforcement Division medical and retail manufacturing licenses through its subsidiary SCM. SCM manufactures all of Slang's products in the State of Colorado as well as distributes the full suite of SLANG products within the State of Colorado.

Holding Entity	Permit / License	City	Expiration / Renewal Date (if applicable)	Description
Slang Colorado Manufacturing Inc.	404R-00051	Denver	03/24/2025	Manufacturing – Retail Marijuana Products Mfg
Slang Colorado Manufacturing Inc.	404-00173	Denver	02/06/2025	Manufacturing – Infused Product Manufacturer

<u>Summary of State of Vermont Regulatory Framework</u>

Vermont's medical cannabis program was introduced in May 2004 when Senate Bill 76 was approved by the Vermont House and Senate. This legislation permitted state-qualified patients to grow and possess marijuana for medicinal purposes. Senate Bill 7 was approved by the Vermont House and Senate in June 2007 and expanded the list of qualifying conditions and increased the number of plants that patients may legally cultivate, among other things. In June 2011, the Vermont legislate passed Senate Bill 17, the "Vermont Marijuana for Symptom Relief Act," which, among other things, authorized a state-regulated system for medical cannabis sales through licensed dispensaries. The first medical cannabis sales were made to patients in 2012. The medical market consists of five vertically integrated licenses. Each license permits the owner to operate a grow/processing facility and up to two dispensaries. As of March 2024, there were five operational medical cannabis locations. A large variety of medical cannabis products are allowed in the state, including smokable cannabis flower.

In January 2018, Vermont became the first state to legalize cannabis via the legislature when Governor Scott signed H. 511, which legalized possession of up to one ounce of cannabis, among other things, though did not create a state-regulated system for adult-use sales. In October 2020, Governor Scott announced that he would allow legislation to regulate and tax adult-use cannabis sales, S.54, to become law without his signature. That legislation created the Vermont Cannabis Control Board ("**CCB**"), which oversees both the medicinal and adult-use cannabis programs.

In August 2021, the Corporation acquired HiFi, a vertically integrated cannabis company, which possesses two of Vermont's five existing medical marijuana licenses and operates two dispensary locations. HiFi currently has one cultivation facility located in Milton, Vermont with additional greenhouse cultivation capacity to meet the demand of adult-use sales.

On September 14, 2022, CCB announced three entities who had been approved to make adult use retail sales in Vermont, including Champlain Valley Dispensary, Inc., CeresMED and Ceres (Burlington) as an integrated license. As of November, 2023, about 75 retail locations have been licensed for adult use sales.

Licenses and Regulations

In Vermont, the CCB regulates both medical and adult-use cannabis sales in the future. Vermont law permits cannabis possession and home cultivation by adults at least 21 years old within certain limits. While medical patients may continue to purchase from any of the five medical cannabis dispensaries, all persons over 21 may purchase cannabis products from the retailers approved to make adult-use sales.

Under its medical dispensary licenses, the Corporation may cultivate, manufacture, transport, supply, and sell cannabis and cannabis-infused products and supplies to registered medical cannabis patients.

Regulatory Framework

The Vermont Statutes Annotated provide the underlying framework for medical and adult-use cannabis in 7 V.S.A. Chs. 31, 33, 35, 37, and 39. Additionally, the Cannabis Control Board regulates both medical cannabis and adult-use cannabis in the state and issues board rules (Vt. Admin. Code 26-1-1:1 *et seq.*) that address, among other things, licensing requirements as well as license denial and approval criteria.

Licensing Requirements

Medical cannabis licensees must demonstrate that (i) they are a non-profit entity; (ii) they have an appropriate business plan, adequate supply of medical cannabis, and security protocols in place for all aspects of operations; (iii) they have the legal right to occupy the premises necessary to operate the licensed business; (iv) all applicable owners have passed background screening; and (v) the licensed premises is not prohibited for the use under local regulations. Adult use cannabis licensees are not limited to non-profit entities, but otherwise have similar requirements for licensure as medical licensees (in addition to the business plan, security and location requirements, adult-use cannabis establishments must also provide information about financiers, any other agreements granting control of the establishment, and submit a positive impact statement regarding diversity and sustainability).

Licensees must renew their licenses annually. The CCB may conduct announced and unannounced inspections of any licensed facilities to assess compliance with laws and rules. The CCB generally conducts an annual license renewal inspection prior to approval. The CCB may also inspect licensed premises upon receiving a complaint alleging that the licensee violated one or more rules. Inspections may cover the entire physical premises, business records, personnel, equipment, security, and operational procedures.

Security Requirements

Licensees must always maintain fully operational alarm and video monitoring systems. Cannabis and cannabis products must be stored in areas within the facility secured by a double locking mechanism. In compliance with Vermont regulations, registered dispensaries shall ensure that customers do not have direct access to cannabis and cannabis-infused products, except upon the request to examine a specific product. Only one product may be examined at a time and then immediately returned to its proper location unless the customer has elected to purchase the product. The alarm system must have an immediate automatic electronic notification system, connected to an outside security provider that professionally monitors for unauthorized entry and robbery events. The surveillance system must monitor customer service areas, cultivation areas, entry and egress areas, and any other areas at the registered location containing cannabis, including processing and packing areas. The video surveillance system must record in a CCB-approved format. The surveillance system must back up video footage pursuant to CCB requirements and maintain all videos for at least 30 days. The general public may only access certain areas of a retailer premises, and only authorized personnel who are security cardholders may access certain areas of any licensed premises.

Transportation and Storage Requirements

CCB licensees must store cannabis and cannabis products in a secured, locked room, vault, or safe during non-operating hours. During transport, cannabis must be secured, and the transporter vehicle may not make any unnecessary stops. The receiving licensee must verify the identity of the product(s) and ensure that the weight or number of units comports with the trip ticket (shipping manifest). CCB licensees must maintain all records and securely store any confidential customer information.

Activities in Vermont

In August 2021, the Corporation acquired HiFi, a vertically integrated Vermont cannabis company, which holds two of the medical cannabis licenses available in Vermont, and under those, operates three medical dispensaries and one 28,000 sq. ft. cultivation, processing, and distribution facility.

On September 28, 2022, the Corporation received a retail marijuana license, allowing the Corporation to open its CERES Collaborative dispensary on October 1, 2022, Vermont's first recreational cannabis store. The dispensary is a 1,500 square foot recreational retail location in Burlington, Vermont.

Compliance Practice

The Corporation is in compliance with applicable licensing requirements and the regulatory frameworks enacted by the states of Colorado, Vermont, and all other states it operates within. The Corporation has not experienced any non-compliance nor has been subject to any notices of violation by the relevant cannabis regulatory authorities.

The Corporation continuously works with its advisors and legal counsel to ensure that it has an understanding of licensing requirements and the regulatory framework enacted by the applicable U.S. states in which it and each of its customers operate. In addition, prior to entering into commercial arrangements, the Corporation completes due diligence procedures and the agreements governing such commercial arrangements will typically contain customary provisions regarding compliance with laws, where applicable.

While the Corporation’s business activities are compliant with applicable state and local law, such activities remain illegal under the federal laws of the United States.

Risk Factors

The following are the specific and general risks that could affect the Corporation and its business. Additional risks and uncertainties not presently known to the Corporation or that the Corporation does not currently anticipate will be material, may impair the Corporation's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition. Readers should additionally refer to the risk factors set out in the Corporation's most recent annual management discussion and analysis, which, together with the risk factors below, do not necessarily constitute an exhaustive list.

These risks and uncertainties discussed below are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or currently deemed immaterial by the Corporation, may also impair the operations of the Corporation. If any such risks actually occur, shareholders of the Corporation could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Corporation could be materially adversely affected and the ability of the Corporation to implement its growth plans could be adversely affected.

The acquisition of any of the securities of the Corporation is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Corporation should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. The investor should carefully evaluate the following risk factors associated with the Corporation's securities, along with the risk factors described elsewhere in this MD&A.

Risks Related to Illegality of Cannabis Under U.S. Federal Law

The Corporation faces the significant risk of enforcement of U.S. federal laws regarding cannabis.

Enforcement of U.S. federal law is a significant risk to cannabis businesses operating in the U.S., including the Corporation. For over nine years, the federal government has not enforced the CSA's cannabis prohibition against persons or companies complying with state laws governing state regulated cannabis programs, and neither President Biden nor Attorney General Garland has indicated that the federal government will commence such prosecutions. However, there is no formal law or even guidance precluding criminal claims against state-legal cannabis companies. There can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis businesses, including those of the Corporation, notwithstanding compliance with state law. Such proceedings could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition, as well as the Corporation's reputation and ability to raise capital.

Further, violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, its ability to list its securities on stock exchanges, its financial position, its operating results, its profitability or liquidity or the value of its securities. In addition, the time of management and advisors of the Corporation and resources that would be needed for the investigation of any such matters or their final resolution could be substantial.

Under the CSA, cannabis is classified as a Schedule I drug. Even in those states in which the use of cannabis has been legalized under state law, its production, manufacture, processing, possession, distribution, sale and use remain a federal crime. Strict enforcement of U.S. federal law regarding cannabis could result in the Corporation's inability to proceed with the Corporation's business plan. There can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis-related businesses, including the business of the Corporation. Companies and individuals involved with or in the Corporation's business, including investors, may be exposed to criminal liability, and any real or personal property used in connection with its business could be subject to seizure and forfeiture to the U.S. federal government or its agencies.

As a result of the states' and the U.S. federal government's conflicting laws on cannabis, cannabis-related businesses in the U.S. are subject to inconsistent legislation, regulation and enforcement. Unless and until the U.S. Congress amends the CSA with respect to cannabis or the Drug Enforcement Administration reschedules or de-schedules cannabis (and there can be no assurance as to the timing or scope of any such potential amendments), there is a risk that U.S. federal authorities may enforce current U.S. federal law, which would adversely affect the Corporation. As a result of the inconsistency between state and federal law, there are a number of risks associated with the Corporation's existing and proposed operations in the U.S. Compliance with state and local laws does not absolve the Corporation of its liability under U.S. federal law.

The Corporation is subject to anti-money laundering laws, banking regulations and lacks bankruptcy protection

Under U.S. federal law, it may be a violation of federal anti-money laundering statutes for financial institutions to take more than $10,000 of proceeds from the sale of cannabis or for persons to deposit more than $10,000 of such proceeds in a financial institution or to conceal the source of the funds or put them back into criminal activity. Canadian banks are likewise hesitant to deal with cannabis companies due to the industry's uncertain legal and regulatory framework in the U.S. In February 2014, the Federal Crimes Enforcement Network of the U.S. Department of the Treasury ("**FinCEN**") issued a memorandum outlining how financial institutions can provide banking services to state-sanctioned cannabis businesses without violating the Bank Secrecy Act. Regardless, because FinCEN's guidance creates onerous requirements for due diligence of customers, requires the filing of certain suspicious activity reports, and does not otherwise remove federal criminal liability, many banks have chosen not to serve the state licensed cannabis companies.

The U.S. DOJ continues to have the power to prosecute AML crimes, including in states that have legalized the applicable underlying conduct, and the U.S. DOJ's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the U.S. or the U.S. Attorney General. A change in the U.S. DOJ's enforcement priorities could result in the U.S. DOJ prosecuting banks, financial institutions, or ancillary companies serving state-legal cannabis companies for crimes that previously were not prosecuted.

The lack of banking and financial services presents unique and significant challenges to businesses operating in and ancillary to the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the lack of traditional banking and financial services available to businesses operating in or ancillary to the cannabis industry.

Additionally, the Corporation does not currently have protection under U.S. bankruptcy laws. U.S. bankruptcy laws were adopted to protect financially troubled businesses and to provide for orderly distributions to business creditors. All bankruptcy cases are handled in U.S. federal courts, and the U.S. DOJ has stated that it is the United States Trustee Program's ("**USTP**") position that no assets associated with the cannabis industry can be liquidated or restricted following bankruptcy without violating the Federal CSA. In addition, the Director of the USTP issued a letter to 1,100 trustees who administer bankruptcy cases urging the trustees to monitor and report to the U.S. DOJ cannabis companies looking to declare bankruptcy.

If any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. are found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends and could affect other distributions, including the Corporation's ability to transfer funds into Canada. Furthermore, while the Corporation has no current intentions to declare or pay dividends in the foreseeable future, if a determination was made that the Corporation's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Corporation may decide, or be required, to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Access to public and private capital may not be available

The Corporation may have difficulty accessing the services of banks, which may make it difficult for the Corporation to operate. Since the use of cannabis is illegal under U.S. Federal Law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to cannabis, U.S. banks have been reluctant to accept deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Likewise, cannabis businesses have limited, if any, access to credit card processing services. As a result, cannabis businesses in the U.S. are largely cash-only. This complicates the implementation of financial controls and increases security issues. The inability to open or maintain bank accounts or take credit cards may make it difficult for the Corporation to operate. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of cheques and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. The Corporation has historically had access to equity and debt financing from the prospectus-exempt (private placement) markets in Canada, and anticipates that these financing options will continue to be available. The Corporation also anticipates access to public capital will continue to be available. Nevertheless, there can be no assurance that additional financing will be available to us when needed or on terms which are acceptable. The Corporation's inability to complete financings to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

Enforcement of cannabis laws may be subject to change

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.

Any legal proceedings involving the Corporation could involve significant restrictions imposed upon the Corporation or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Corporation, as well as the Corporation’s reputation, even if such proceedings were concluded successfully in favor of the Corporation. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Corporation or the seizure of corporate assets; however, as of the date hereof, the Corporation believes that likelihood of proceedings of this nature arising are remote.

There is no certainty as to how the U.S. DOJ, Federal Bureau of Investigation and other U.S. federal government agencies will handle cannabis matters in the future. While under the Biden administration there does not appear to be a departure from previous administrations regarding cannabis enforcement, there can be no assurances that a future administration will not change the current enforcement policy and decide to strongly enforce the federal laws. The Corporation regularly monitors the activities of presidential administrations in this regard.

For further information, please see the discussion of the U.S. regulatory framework under the section heading *“Regulatory Overview – United States Federal Overview”.*

Risks Related to the Corporation's Business

The Corporation will require additional financing

It is expected that the Corporation will require equity and/or debt financing in the next twelve months, to support on-going operations (given the Maturity Date of the Loan Transaction), to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could result in a default under the Loan Transaction, limit the Corporation's growth and may have a material adverse effect upon the Corporation's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Common Shares.

Depending on the availability of traditional banking services to the Corporation, the Corporation may enter into one or more credit facilities with one or more lenders in order to finance the acquisition of the Corporation's investments. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, might restrict the ability of the Corporation to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; or (viii) engage in certain transactions with affiliates, and otherwise restrict activities of the Corporation (including its ability to acquire additional investments, businesses or assets, certain changes of control and asset sale transactions) without the consent of the lenders. In addition, such a credit facility would likely require the Corporation to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. Such restrictions may limit the Corporation's ability to meet targeted returns and reduce the amount of cash available for investment. Moreover, the Corporation may incur indebtedness under credit facilities that bear interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for the Corporation's purposes.

The Corporation may not be able to maintain the Colorado Licenses if it is unable to regain its status as a "Publicly Traded Corporation" within the meaning of the C.R.S.

The Corporation, through its subsidiary SCM, has historically qualified to hold the Colorado Licenses in Colorado on the basis that the Corporation qualifies as a "Publicly Traded Corporation" within the meaning of the C.R.S. In order for the Corporation to qualify as a Publicly Traded Company, it must either (i) maintain (1) the listing of the Common Shares on the Canadian Securities exchange (or another Canadian stock exchange), and (2) its status as a "foreign private issuer" (within the meaning of applicable U.S. securities laws), or (ii) have a class of securities registered with the U.S. Securities and Exchange Commission.

The Corporation has ceased to qualify as a foreign private issuer and no longer meets the definition of a Publicly Traded Corporation within the meaning of the C.R.S.

Following extensive discussions, the MED has granted the Corporation an extension (the "**Colorado Extension**") for the time by which it must re-qualify as a Publicly Traded Corporation. Specifically, the MED has advised that the Corporation may maintain the Colorado Licenses provided that the Corporation qualifies as a Publicly Traded Corporation by the next renewal date for the Colorado Licenses, being September 6, 2024 (the "**Colorado Renewal Date**"). In the event that the Corporation does not qualify as a Publicly Traded Corporation on the Colorado Renewal Date, the MED may extend the Colorado Extension to provide the Corporation additional time to regain compliance or may determine that the Corporation no longer qualifies to hold the Colorado Licenses. The loss by the Corporation of the Colorado Licenses would impede the Corporation's operations in Colorado and have a material adverse effect on the Corporation's business, financial condition and results of operations or prospects. See "*Risk Factors - The Corporation's success depends on its ability to obtain and maintain required government licenses and permits".*

The Corporation may suffer reduced profitability as a result of losing foreign private issuer status in the U.S.

The Corporation has recently ceased to qualify as "Foreign Private Issuer" under the rules of the U.S. Securities and Exchange Commission. This change in status could have a significant effect on the Corporation as it may complicate the raising of capital through the offer and sales of securities and reporting requirements, resulting in increased audit, legal and administration costs. The ability of the Corporation to be profitable could be significantly affected.

The Corporation will incur ongoing costs and obligations related to regulatory compliance

Failure to comply with applicable regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations or increased compliance costs, or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

The Corporation's business is highly regulated and evolving rapidly

The Corporation operates in a new industry that is highly regulated and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Corporation's ability to expand its business in other jurisdictions is uncertain

The Corporation intends to continue expanding its operations in its Emerging Markets. The ability of the Corporation to do so, from both an operational and regulatory perspective, is subject to significant uncertainty and risks. The Corporation will need to obtain and maintain licenses, permits and other authorizations to operate a business involving cannabis in these jurisdictions, and the Corporation cannot guarantee it will be able to do so successfully, or with the amount of time and resources that will be required to do so. In addition to regulatory uncertainty, the Corporation expects the cannabis market in the Emerging Markets to be highly competitive. The Corporation cannot provide any assurances that it will be able to successfully expand its business in these or other jurisdictions.

The Corporation may acquire businesses or enter into strategic partnerships

As part of the Corporation's business strategy, the Corporation may pursue strategic partnerships or acquire businesses that are complementary to the Corporation's current business operations. Such partnerships or acquisitions may expose the Corporation to particular risks, including risks associated with: (i) integrating new operations, services and personnel; (ii) unknown or undisclosed liabilities; (iii) diverting resources from existing business operations; (iv) potential inability to generate sufficient revenue to offset costs; (v) acquisition expenses; and (vi) potential loss of or harm to existing relationships with employees, consultants, vendors, suppliers, contractors, and other parties from the integration of new businesses. Furthermore, any proposed acquisitions or partnerships may require regulatory approval. Issues arising from such partnerships or acquisitions could have a material adverse effect on the Corporation's business, financial conditions or results of operations.

Laws will continue to change rapidly for the foreseeable future and local laws and ordinances could restrict the Corporation's business operations

Local, state and federal laws and enforcement policies concerning cannabis-related conduct are changing rapidly and will continue to do so for the foreseeable future. There can be no assurance that existing state laws that legalize and regulate the production, sale and use of cannabis will not be repealed, amended or overturned. In addition, local governments have the ability to limit, restrict and ban cannabis-related businesses from operating within their jurisdictions. Land use, zoning, local ordinances and similar laws could be adopted or changed in a manner that makes it extremely difficult or impossible to transact business in certain jurisdictions. These potential changes in state and local laws are unpredictable and could have a material adverse effect on the Corporation's business.

The Corporation's success depends on its ability to obtain and maintain required government licenses and permits

Government licenses and permits are currently, and may in the future, be required in connection with the Corporation's operations. The Corporation's success depends on its ability to maintain and renew its licenses and permits. To the extent such licenses and permits are required and are not obtained or lapse, the Corporation may be curtailed or prohibited from its proposed production of medical or adult-use cannabis or from proceeding with the development of its operations as currently anticipated.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or other remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed on it for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical and adult-use cannabis, or a more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenses, capital expenditures or production costs, could cause a reduction in levels of production or could require abandonment or delays in development. Additionally, the Corporation's success is contingent upon many variables not in its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority.

While the Corporation's compliance controls have been developed to mitigate the risk of any material violations of any license, permit, or certificate the Corporation holds, there is no guarantee that the Corporation's licenses, permits, or certificates will be renewed with the applicable regulatory authority in a timely manner. Any unexpected delays or costs associated with the permitting and licensing process may impede the Corporation's operations and have a material adverse effect on the Corporation's business, financial condition and results of operations or prospects.

For further information, please see the discussion of the various U.S. states regulatory frameworks under the section heading "*Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels*".

The Corporation may be subject to heightened scrutiny by Canadian, U.S., and other regulatory authorities

For the reasons set forth herein, the Corporation's existing investments and operations in the U.S., and any future investments and operations, may become the subject of heightened scrutiny by regulators, stock exchanges, third party service providers, financial institutions, depositories and other authorities in Canada, the U.S. or other jurisdictions. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Corporation's ability to operate in U.S., Canada and other jurisdictions.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a memorandum of understanding ("**MOU**") with the Neo Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the stock exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a Canadian stock exchange, it would have a material adverse effect on the ability of holders of the Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid until an alternative was implemented, and investors would have no ability to affect a trade of the Common Shares through the facilities of the applicable stock exchange.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the 2013 Cole Memorandum, on February 8, 2018 the Canadian Securities Administrators published Staff Notice 51-352 setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. For these reasons, the Corporation's operations in the U.S. cannabis market may subject the Corporation to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian and U.S. authorities.

The retail and wholesale prices of cannabis products may decline

Due to intense competition in the cannabis market, the retail and wholesale prices of cannabis products may significantly decline. The Corporation's operating income may be significantly and adversely affected by a decline in the price of cannabis and will be sensitive to changes in the overall condition of the cannabis industry in the states and jurisdictions in which it operates.

Legalization of Hemp under the 2018 Farm Bill may affect the cannabis market

On December 20, 2018, former President Trump signed into law the 2018 Farm Bill, which changed hemp's legal status by removing hemp and extracts of hemp from the CSA schedules. Accordingly, the production, sale, and possession of hemp or extracts of hemp no longer violates the CSA. Under the 2018 Farm Bill, hemp is defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% on a dry weight basis". The 2018 Farm Bill allows hemp cultivation under state plans approved by the USDA or under USDA regulations in states that have legalized hemp but not implemented their own regulations. As of March 31, 2024, the USDA had approved 42 state plans, three Territory plans, and 54 tribal plans, and confirmed that eight other states and eight other tribes would allow entities to attain licenses under USDA regulations.[20]

The hemp and pharmaceutical industry may attempt to compete with or dominate the cannabis market, and in particular, legal cannabis, through the development and distribution of hemp-derived or synthetic products which emulate the effects and treatment of cannabis. If they are successful, the widespread popularity of such products could change the demand, volume and profitability of the cannabis market.

Further, there has been a proliferation of the extraction of delta-8 THC and other intoxicating cannabinoids from industrial hemp and infusion of these isomers into various saleable and finished products. Utilizing the legality of industrial hemp under U.S. federal law, many such products are available for sale through unlicensed channels and are shipped in interstate commerce. Additionally, some hemp companies sell hemp-derived THC products with state authorization. Given the similar intoxicating effects to cannabis-derived THC, which is an illegal substance under the CSA, and its substantially lower price point, patients and consumers may choose to consume hemp-derived products in lieu of cannabis-derived products.

The future legality of hemp products, including delta-8 and CBD products, is uncertain

Despite the positive changes brought by the 2018 Farm Bill, there remain a number of considerations, potential changes in laws, and uncertainties regarding the cultivation, sourcing, production and distribution of hemp and certain hemp products. Applicable laws and regulations in the U.S. remain subject to change as there are different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses with respect to the treatment of hemp, including but not limited to the scope of operation of the 2018 Farm Bill, and the authorizations granted to 2018 Farm Bill-compliant hemp growers and product manufacturers. Such interpretations touch on, among other things, the regulation of cannabinoids by the DEA and FDA. These uncertainties likely cannot be resolved without further federal and state legislation, regulation or a definitive judicial interpretation of existing legislation and rules, and in the interim period, there remain several legal considerations underlining the sale of hemp-derived products, including, but not limited to, (i) the fact that hemp and cannabis are both derived from the cannabis plant, (ii) the rapidly changing patchwork of state laws governing hemp and hemp-derived products, (iii) the lack of FDA approval for CBD as a food ingredient, food additive or dietary supplement, (iv) the variable legal status of delta-8 products, and (v) the question of what legally constitutes a “synthetically derived” hemp derivative.

In addition to the above considerations, many states have enacted laws regulating or prohibiting the production, distribution, and/or sale of certain hemp-derived products.

[20] *Status of State and Tribal Hemp Production Plans for USDA Approval*, USDA, https://www.ams.usda.gov/rules-regulations/hemp/state-and-tribal-plan-review (last visited March 31, 2024).

The Corporation has limited operating history and faces the risks associated with any new business operating in a competitive industry

The Corporation operates in an emerging industry and it does not have a history of profitability. The Corporation is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Any financial projections and business plans reflect the Corporation's intentions and estimates, but they may not be realized and are subject to change in all respects

Any financial projections and business plans that the Corporation has performed are based on a variety of estimates and assumptions, which may not be realized and are inherently subject to significant business, economic, legal, regulatory and competitive uncertainties, many of which are beyond the Corporation's control. There can be no assurance that any such projections and plans will be realized, and actual results may materially differ from such projections and plans.

Customers for the Corporation's U.S. cannabis business are limited

The customers of the Corporation's U.S. cannabis business are limited to other licensed cannabis businesses within the states in which it operates. The sale of cannabis and cannabis-related products across state lines in the U.S. is not permitted. Consequently, the Corporation has a limited customer base.

The Corporation's business is highly competitive

The regulated cannabis market is intense, rapidly evolving and competitive. There can be no assurance that the Corporation's competitors, some of which have longer operating histories and more resources than the Corporation, will not develop products and services that achieve greater market share than the Corporation's products and services. Such competitive forces could have a material adverse impact on the Corporation's business, financial condition and results of operations.

The Corporation may not be able to deduct many normal business expenses for U.S. federal income tax purposes

Under Section 280E of the U.S. Internal Revenue Code ("**Section 280E**"), many normal business expenses incurred in the production and sale of cannabis and its derivatives are not deductible in calculating U.S. federal income tax liability. As a result, businesses that are subject to Section 280E have significantly higher tax expenses than non-Section 280E businesses and often owe federal income taxes even if the business is not profitable. The application of Section 280E will have a material adverse effect on the Corporation's U.S. federal income tax obligations. As of December 31, 2023, the Company recorded $1.60 million for uncertain tax positions related to the treatment of certain transactions and deductions under IRC Section 280E based on legal interpretations that challenge the Company’s tax liability under IRC Section 280E. See Note 29 to the Financial Statements for further details.

The Corporation is a U.S. domestic corporation for U.S. federal income tax purposes

The Corporation, which is and will continue to be a Canadian company as of the date hereof, generally would be classified as a non-United States company under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States company to be taxed as a United States company for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a company created or organized outside the United States. (i.e., a non-United States company) will nevertheless be treated as a United States company for United States federal income tax purposes (such treatment is referred to as an "**Inversion**") if each of the following three conditions are met: (i) the non-United States company acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States company, (ii) after the acquisition, the former stockholders of the acquired United States Corporation hold at least 80% (by vote or value) of the shares of the non-United States company by reason of holding shares of the United States acquired company, and (iii) after the acquisition, the non-United States company's expanded affiliated group does not have substantial business activities in the non- United States company's country of organization or incorporation when compared to the expanded affiliated group's total business activities.

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Corporation intends to be treated as a United States company for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Corporation is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the *Income Tax Act* (Canada)) for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the United States, which could have a material adverse effect on its financial condition and results of operations.

The Corporation is faced with increased costs as a result of being a public company

As a public issuer, the Corporation is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Corporation's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Corporation's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

Third-party service providers could suspend or withdraw services as a result of the Corporation's cannabis business

As a result of any adverse change to the approach in enforcement of U.S. cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse changes in public perception in respect of the consumption of cannabis or otherwise, third-party service providers to the Corporation could suspend or withdraw their services, which may have a material adverse effect on the Corporation's business, revenues, operating results, financial condition or prospects.

Courts may not enforce the Corporation's contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal in the U.S. at the federal level, judges in multiple U.S. states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate U.S. federal law, even if there was no violation of state law. There remains doubt and uncertainty that the Corporation will be able to legally enforce contracts it enters into, if necessary. The Corporation cannot be assured that it will have a remedy for breach of contract, which could have a material adverse effect on the Corporation.

The Corporation faces possible competition from synthetic cannabis production and technological advances

The pharmaceutical industry may attempt to enter the cannabis industry, and in particular, the medical cannabis industry, through the development and distribution of synthetic products that emulate the effects of and treatment provided by naturally-occurring cannabis. If synthetic cannabis products are widely adopted, the widespread popularity of such synthetic cannabis products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Corporation to secure long-term profitability and success through the sustainable and profitable operation of its business.

There are risks inherent in an agricultural business

Cannabis is an agricultural product. There are risks inherent in the agricultural business, such as damage to crops caused by insects, plant diseases, pesticide contamination and similar agricultural risks. There can be no assurance that such elements will not have a material adverse effect on the production of the Corporation's products.

Some of the Corporation's supply of cannabis source material are acquired from third parties

The Corporation does not cultivate sufficient cannabis to supply itself with enough cannabis source material to operate its manufacturing business. Currently, the Corporation acquires some of its cannabis source material from third parties. There can be no assurance that there will continue to be a sufficient amount of cannabis source material available to the Corporation to continue operating its manufacturing business. Additionally, the price of cannabis source material may rise which would increase the Corporation's cost of goods. If the Corporation became unable to acquire cannabis source material or if the price of cannabis source material increased, it could have a material adverse impact on the business of the Corporation, its financial condition and results from operations.

The Corporation's success depends on the skills and expertise of its officers, key employees and advisors

The Corporation's success substantially depends on the skills, talents, abilities and continued services of its officers, key employees and advisors. There is no guarantee that the Corporation's officers and employees will manage its business successfully.

The Corporation's success depends on its ability to hire and retain additional qualified individuals

The Corporation's success substantially depends on its ability to hire and retain individuals to implement its business plan. There is no assurance that the Corporation will be able to hire or retain qualified individuals, or that the individuals hired will be able to successfully implement its business plan.

Environmental risk and regulation could adversely affect the Corporation's operations

The Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's business, revenues, operating results, financial condition or prospects.

Public opinion, consumer perception or unfavorable publicity could influence the regulation of the cannabis industry

Public opinion may also significantly influence the regulation of the cannabis industry in Canada, the U.S. or elsewhere. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and has varied from jurisdiction to jurisdiction. A negative shift in the public's perception of cannabis in the U.S., Canada or any other applicable jurisdiction could affect future legislation or regulation of cannabis. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new jurisdictions into which the Corporation could expand. A shift in public opinion or consumer perception may have a material adverse effect on the Corporation. Additionally, unfavorable publicity concerning the safety, efficacy or quality of cannabis could affect public opinion or consumer perception even if a consumer experienced negative or harmful effects from cannabis products due to the consumer's failure to use such products appropriately. Any inability to fully implement the Corporation's expansion strategy may have a material adverse effect on the Corporation's business, financial condition or results of operations.

The Corporation may face product liability claims

As a producer and manufacturer of products designed for ingestion by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if the products are alleged to have caused significant injury or loss. Additionally, the manufacture and sale of cannabis involves risk of injury to consumers due to tampering by unauthorized third parties or by product contamination. Previously unknown adverse reactions resulting from human consumption of products sold or marketed by the Corporation, alone or in combination with other medications and substances, could occur. The Corporation may also be subject to product liability claims alleging that the cannabis product that caused injury or illness included inadequate instructions for the use of the product, or included inadequate warnings concerning possible side effects of or interactions with other substances. A product liability claim or regulatory action against the Corporation could adversely affect the Corporation's reputation with its clients and consumers generally, and could result in a material adverse effect on the business, results of operations or prospects of the Corporation. There can be no assurance that the Corporation will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims may have a material adverse effect on the Corporation.

Product recalls could adversely affect the Corporation's operations

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as malfunctioning hardware, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Recall of products could lead to adverse publicity, decreased demand for the Corporation's products and could have significant reputational and brand damage. Although the Corporation has detailed procedures in place for testing its products, there can be no assurance that any quality problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Results of future clinical research could influence the regulation of the cannabis industry and may have an adverse effect on the Corporation's business

The Corporation believes the medical and adult-use cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis industry or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity may not be favorable to the cannabis industry or any particular product and may be inconsistent with publicity which could result in a material impact on the demand for cannabis and thus, on the business, results of operations, financial condition, cash flows or prospects of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of medical and adult-use cannabis with illness or other negative effects or events, could have a material adverse effect on the business, financial condition or results of operations of the Corporation.

The Corporation is reliant on key inputs to manufacture its products, and changes in the availability or pricing of such key inputs could adversely affect the Corporation's operations

The Corporation's cannabis business is dependent on a number of key inputs, including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Corporation. Some of these inputs may be available from only a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Corporation might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Corporation in the future. Any inability to secure required supplies and services or to do so on reasonable terms could have a material adverse effect on the business, financial condition, results of operations or prospects of the Corporation.

The Corporation may not be able to adequately protect its intellectual property

The Corporation may have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Corporation relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Corporation relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. Other companies may also be able to materially duplicate the Corporation's proprietary products. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Corporation may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Corporation's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Corporation to incur significant penalties and costs.

Intellectual property claims

Companies in the retail and wholesale industries frequently own trademarks and trade secrets and often enter into litigation based on allegations of infringement or other violations of intangible property rights. The Corporation may be subject to intangible property rights claims in the future and its products may not be able to withstand any third-party claims or rights against their use. Any intangible property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management's resources and attention. An adverse determination also could prevent the Corporation from offering its products to others and may require that the Corporation procure substitute products or services.

With respect to any intangible property rights claim, the Corporation may have to pay damages or stop using intangible property found to be in violation of a third party's rights. The Corporation may have to seek a license for the intangible property, which may not be available on reasonable terms and may significantly increase operating expenses. The technology also may not be available for license at all. As a result, the Corporation may also be required to pursue alternative options, which could require significant effort and expense. If the Corporation cannot license or obtain an alternative for the infringing aspects of its business, it may be forced to limit product offerings and may be unable to compete effectively. Any of these results could harm the Corporation's brand and prevent it from generating sufficient revenue or achieving profitability.

The Corporation's insurance coverage may not sufficiently cover claims against the Corporation

Although the Corporation maintains insurance to protect against certain risks in amounts that it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the Corporation's operations are not generally available on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

Competitive product risks

The market is characterized by a growing number of new market entrants competing in the same product categories as the Corporation. As such there is considerable competition in the marketplace.

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the Corporation's business, financial condition and results of operations.

To remain competitive, the Corporation will require a continued level of investment in research and development, marketing, sales and client support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

To succeed in the marketplace the Corporation needs to differentiate itself which it has done via innovative design and technology.

Brand perception

The Corporation believes its industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of its products and perceptions of regulatory compliance. Consumer perception of the Corporation's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. In particular, vaporizers, electronic cigarettes and related products have only recently been developed and the long-term effects have yet to be examined. Currently, there is no way of knowing whether these products are safe for their intended use. If the scientific community were to determine conclusively that use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline.

The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Corporation, the demand for products, and the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis-related products in general, or the Corporation's products specifically, or associating the consumption of cannabis-related products with illness or other negative effects or events, could have such a material adverse effect.

Ongoing controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose the Company to litigation and additional regulation

There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaporizer devices and/or products used in such devices (such as vaporizer liquids). Regulators have become more focused on the vaporizer devices, the manner in which the devices are used and the related vaporizer liquids - THC, nicotine, other substances in vaporizer liquids, possibly adulterated products and other illegal unlicensed cannabis vaporizer products. Some states and cities in the United States have already taken steps to prohibit the sale or distribution of vaporizers, impose restrictions on flavours or use of such vaporizers, and implement targeted tax structures. This trend may continue, accelerate and expand. This controversy could well extend more completely to non-nicotine vaporizer devices and other product formats. Any such extension could materially and adversely affect the Company’s business, financial condition, operating results, liquidity, cash flow and operational performance. Litigation pertaining to vaporizer products is accelerating and that litigation could potentially expand to include the Company’s products, which would materially and adversely affect the Company’s business, financial condition, operating results, liquidity, cash flow and operational performance.

The Corporation's directors may have a conflict of interest due to their involvement in other businesses

Certain of the Corporation's directors are involved with other business ventures that may be competitive with the Corporation's business. Situations may arise where the personal interests of these directors conflict with or diverge from the Corporation's interests. In accordance with applicable corporate law, directors who have a material interest in or who are parties to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such contracts. In addition, directors are required to act honestly with a view to the Corporation's best interests. However, in conflict of interest situations, the Corporation's directors may owe the same duty to another company and will need to balance their competing interests with their duties to the Corporation. Circumstances (including future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Corporation.

The Corporation faces risks associated with potential acquisitions

As part of the Corporation's overall business strategy, the Corporation may pursue select strategic acquisitions, which would provide additional product offerings, vertical integrations, additional industry expertise and a stronger industry presence in both existing and new jurisdictions. The success of any such acquisitions will depend, in part, on the ability of the Corporation to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Corporation. Future acquisitions may expose the Corporation to potential risks, including risks associated with: (i) the integration of new operations, services and personnel, (ii) unforeseen or hidden liabilities, (iii) the diversion of resources from the Corporation's existing business and technology, (iv) potential inability to generate sufficient revenue to offset new costs, (v) the expense of acquisitions, and (vi) the potential loss of or harm to relationships with both employees and existing customers resulting from its integration of new businesses. In addition, any proposed or ongoing acquisitions will be subject to the satisfaction of certain closing conditions, including any necessary regulatory approvals. There can be no assurance that such closing conditions will be satisfied or that such ongoing or proposed acquisitions will be completed.

While the Corporation intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Corporation is not sufficiently indemnified. Any such unknown or undisclosed risks of liability could materially and adversely affect the Corporation's financial performance and result of operations. The Corporation could encounter additional transaction and integration related costs or other factors such as failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Corporation's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Common Shares.

The Corporation may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such strategic acquisition with its existing operations. If integration is not managed successfully by the Corporation's management, the Corporation may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation faces risks associated with legal, regulatory or political change

The success of the business strategy of the Corporation depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To the Corporation's knowledge, there are to date a total of 47 states, and the District of Columbia, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands and Guam, that have legalized cannabis in some form, including California, Nevada and Oregon, and additional states have pending legislation regarding the same; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Corporation's business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations legalizing cannabis could restrict the ability of the Corporation to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Corporation is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the

Corporation, and thus, the effect on the return of investor capital, could be detrimental. The Corporation is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Corporation and its business, results of operations, financial condition and prospects.

The commercial medical and adult-use cannabis industry is in its infancy and the Corporation anticipates that such regulations will be subject to change as the jurisdictions in which the Corporation does business mature. Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. The inability of the Corporation to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The Corporation faces risks related to co-investment

The Corporation may co-invest in one or more investments with certain strategic investors and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of the Corporation, although it is the general intent of the Corporation to retain superior rights associated with its investments. Although it is the Corporation's intent to retain control and other superior rights over the Corporation's investments, under certain circumstances it may be possible that the Corporation relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when the Corporation does maintain a control position with respect to its investments, the Corporation's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Corporation, or may be in a position to take (or block) action in a manner contrary to the Corporation's objectives. The Corporation may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as the Corporation, and such different terms may be disadvantageous to the Corporation.

The Corporation faces difficulty in forecasting sales

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Corporation.

Reliable data on the medical and adult-use cannabis industry is not available

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Corporation of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Corporation's management team as of the date of this MD&A.

The Corporation faces constraints on marketing products

The development of the Corporation's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner similar to other industries. If the Corporation is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Corporation's sales and results of operations could be adversely affected.

The Corporation may be exposed to fraudulent or illegal activity by its employees, contractors and consultants

The Corporation is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Corporation that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Corporation to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Corporation, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Corporation's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Corporation's operations, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

The Corporation's information technology systems may be subject to cyber-attacks

The Corporation's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

The Corporation has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Corporation will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Corporation faces a risk of security breaches

Given the nature of the Corporation's product and its lack of legal availability outside of channels approved by the government of the U.S., as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Corporation's facilities could expose the Corporation to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches, and may deter potential customers from choosing the Corporation's products.

In addition, the Corporation collects and stores personal information about its customers and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly customer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation may face high fees associated with bonding and insurance coverage

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the cannabis industry to post a bond or significant fees when applying for example for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. The Corporation is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Corporation's business.

The economic environment may negatively impact the Corporation's operations

The Corporation's operations could be affected by the economic context should unemployment, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Corporation's sales and profitability.

Certain remedies available to the Corporation may be limited

The Corporation's governing documents may provide that the liability of the Board and its officers is eliminated to the fullest extent permitted under the laws of Canada. Thus, the Corporation and the shareholders of the Corporation may be prevented from recovering damages for alleged errors or omissions made by the members of the Board and its officers. The Corporation's governing documents may also provide that the Corporation will, to the fullest extent permitted by law, indemnify members of the Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Corporation.

The Corporation may face difficulty in enforcing judgments and effecting service of process on directors and officers

Some of the directors and officers of the Corporation reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for the Corporation's shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for the Corporation's shareholders to effect service of process within Canada upon such persons.

Border crossing for non-U.S. residents may create additional challenges

Although cannabis use and sale is legal and regulated in numerous U.S. states, individuals who are not U.S. residents and are employed or involved with licensed cannabis companies could be denied entry or face lifetime bans from the U.S. for their involvement with such companies. In the past, there has been anecdotal evidence of non-U.S. residents who are involved in the cannabis industry being denied entry at the U.S. border or facing lifetime bans from the U.S. after disclosing to U.S. border officials the nature of their involvement. The Board of Directors (the "**Board**") is made up of both U.S. and non-U.S. residents, so there is no guarantee that certain members of the Board would not be subject to such denials or bans. Should a director be prevented from entering the U.S., either in one instance or permanently, their ability to serve the Corporation as a Board member could be hindered. This could equally impact any other non-U.S. resident involved with the Corporation, including, but not limited to, both investors and employees.

The location of the Corporation's assets may make it difficult to enforce judgments

Substantially all of the Corporation's assets are located outside of Canada, and therefore investors may have difficulty collecting from the Corporation any judgments obtained in Canadian courts and predicated on the civil liability provisions of applicable securities legislation. Furthermore, the Corporation may be subject to legal proceedings and judgments in foreign jurisdictions.

The Corporation's past performance is not indicative of future results

The prior investment and operational performance of the Corporation is not indicative of the future operating results of the Corporation. There can be no assurance that the historical operating results achieved by the Corporation or its affiliates will be achieved by the Corporation, and the Corporation's future performance may be materially different.

The Corporation's financial projections may prove materially inaccurate or incorrect

Any of the Corporation's financial estimates, projections and other forward-looking information or statements included in this MD&A were prepared by the Corporation without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this MD&A. A reader should inquire of the Corporation and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, the occurrence of unforeseen or catastrophic events and unanticipated competition. Accordingly, a reader should not rely on any projections to indicate the actual results the Corporation might achieve.

The Corporation faces risks associated with market price volatility

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Corporation, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Corporation, general economic conditions, recent inflationary pressures and/or the collapse of certain financial institutions, legislative changes, and other events and factors outside of the Corporation's control. In addition, stock markets have from time-to-time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

Management of growth may present issues for the Corporation

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

Existing shareholders may sell a substantial number of Common Shares of the Corporation

Sales of a substantial number of Common Shares in the public market could occur at any time by existing holders of Common Shares. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. If this occurs and continues, it could impair the Corporation's ability to raise additional capital through the sale of securities.

The Corporation could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; negative global climate patterns; or other catastrophic events, such as fires or other disasters occurring at the Corporation's facilities or the Corporation's suppliers' facilities could disrupt the Corporation's operations. In particular, these types of events could impact the Corporation's supply chain from or to the impacted region and could impact the Corporation's ability to operate its business. Furthermore, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally. To the extent any of these events occur, it could have a material adverse impact on the business of the Corporation, its financial condition and results from operations.

The Corporation is exposed to currency fluctuations

Due to the Corporation's present operations in the U.S., and its intentions to continue operating outside Canada, the Corporation is exposed to currency fluctuations. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Corporation's business, financial condition and operating results and prospects.

The Corporation does not anticipate paying any dividends

The Corporation has no earnings or dividend record and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Corporation would be subject to tax and, potentially, withholdings.

Global financial conditions expose the Corporation to significant risks

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability.

Moreover, the occurrence of unforeseen or catastrophic events, widespread health emergencies, or responses to inflationary pressures could result in economic and financial disruptions akin to those witnessed during the global financial crisis of 2008. Such risks are of increased importance in the current climate, as inflationary pressures have led to a rapid rise in short-term interest rates, which have resulted in increased pressure on the global banking system. As a result, more depositors have been pulling funds from the banking system, which has led to the collapse of Silicon Valley Bank, Signature Bank, and forced the sale of Credit Suisse, which has shed light on other U.S. regional banks reporting potential troubles.

Global financial conditions could continue to destabilize in response to the current economic environment or future economic shocks, as government authorities may have limited resources to respond to future crises. Current or future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Corporation's ability to obtain equity or debt financing in the future on terms favourable to the Corporation. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Corporation's operations and financial condition could be adversely impacted.

Accounting Policies

Each of the below policies are detailed in the Company’s consolidated financial statements. Management has discussed the development, selection and disclosure of critical accounting policies and estimates with the Audit Committee of the Board.

- Financial instruments & other instruments
- Share-based payments
- Business combinations, goodwill and intangible assets
- Impairment of non-financial assets
- Biological assets
- Inversion
- IRC Section 280E

Financial instruments & other instruments

a) Financial assets

i) Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

ii) Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("**FVOCI**") or fair value through profit or loss ("**FVTPL**"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash, and restricted cash, accounts receivable and other receivables., amounts due from related parties, deposit on acquisition and notes receivable.

- Fair value through other comprehensive income – assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss – assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss is comprised of investments.

- Designated at fair value through profit or loss – on initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

iii) Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether there has been a significant increase in credit risk since initial recognition or a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants.

For financial assets with significant increase in credit risk since initial recognition and financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Accounts receivable and expected credit loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of accounts receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

iv) Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

b) Financial liabilities

i) Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

ii) Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

iii) Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Share-based payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for share-based payments, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

Business combinations, goodwill and intangible assets

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also re-measured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a gain or loss on bargain purchase.

Amortization of intangible assets is measured on a straight-line basis over the following periods:

Proprietary technology and know how	5 years
Brands	5 to 10 years
Distributor and customer relationships	5 to 8 years
Licenses	10 years
Software	5 to 10 years

The estimated useful lives, residual values and amortization methods are reviewed at each year end and any changes in estimates are accounted for prospectively.

Impairment of non-financial assets

The carrying amount of the Company’s non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

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 finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations of the related period. The Company does not recognize the mother plants used for cloning the cannabis plants on the consolidated statement of financial position, since such plants are under the scope of IAS 16 – Property, Plant and Equipment, but have a useful life of less than one year.

The Company's biological assets are within the scope of IAS 41 Agriculture, and the direct and indirect costs of biological assets 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 and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of goods sold' on the consolidated statement of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position.

Income Taxes

The Company is subject to assessments by tax authorities, who may interpret tax legislation differently than the Company. When there is uncertainty over income tax positions, the Company assesses whether it is probable that the relevant tax authority will accept the uncertain tax position. This assessment affects the amount of income tax expense recognized by the Company. If the Company concludes that it is not probable that a tax authority will accept the uncertain tax position, the effect of the uncertain tax position is reflected in the determination of the Company's income tax expense or recovery based on the most likely amount or, if there are a wide range of possible outcomes, the expected value. Any interest and penalties related to unrecognized tax liabilities are presented within provision for income taxes within the consolidated statements of operations.

IRC Section 280E and Uncertain Tax Position

The IRS has taken the position that cannabis companies are subject to the limits of IRC Section 280E under which they are only allowed to deduct expenses directly related to the production of inventory. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

The Company operates in a number of domestic tax jurisdictions and is subject to examination of its income tax returns by tax authorities in these jurisdictions who may challenge any item of those returns. Because tax matters that may be challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain. The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon technical merits, it is more-likely-than-not that the position will be sustained upon examination. The Company evaluates uncertain tax positions on a quarterly basis and adjusts the level of the liability to reflect any subsequent changes in the relevant facts surrounding the uncertain positions. The measurement of the uncertain tax position is based on the largest benefit amount to be realized upon settlement of the matter. If payment ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to income tax expense may result. As of December 31, 2023, the Company recorded an uncertain tax liability for uncertain tax positions primarily related to the treatment of certain transactions and deductions under IRC Section 280E based on legal interpretations that challenge the Company's tax liability under IRC Section 280E. These uncertain tax positions are included in uncertain tax position liabilities in the Financial Statements.

Inversion

The Company will be treated as a U.S corporation for U.S. federal income tax purposes under U.S. Internal Revenue Code ("**IRC**") Section 7874 and be subject to U.S. federal income tax. However, for Canadian tax purposes, the Company is expected, regardless of any application of IRC Section 7874, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada)) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the U.S. Notwithstanding the foregoing, it is management's expectation that the Company's activities will be conducted in such a manner that income from operations will not be subjected to double taxation.

Subsequent Events

The Company evaluated subsequent events through to April 11, 2024, the date these consolidated financial statements were issued.

On January 11, 2024, pursuant to an employment contract, the Company approved the grant of 150,000 stock options to an employee of the Company.

On January 17, 2024, the Company announced that it launched its vape brand, O.pen, in Arizona through a strategic partnership with Trulieve Cannabis Corp.

On February 19, 2024, the Company assigned its investment in Agripharm to the lender of Agripharm in order to satisfy a cash call by Agripharm. As of February 19, 2024, the Company no longer holds any ownership in Agripharm.

On March 8, 2024, the Company issued 7,621,977 RSU's to employees of the Company which vest in 3 equal amounts on the grant date and each anniversary thereafter and are contingent on continued employment at the Company. These RSU's were issued to satisfy 2023 bonus entitlements.

Other MD&A Requirements

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

Additional information related to the Company can be found on SEDAR+ at www.sedarplus.ca.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Annual Listing Summary.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated April 12, 2024.

Mikel Rutherford
Name of Director or Senior Officer

"/s/ Mikel Rutherford"
Signature

CFO
Official Capacity

Issuer Details Name of Issuer **SLANG Worldwide Inc.**	For Year Ended **December 31, 2023**	Date of Report YY/MM/D **2023/04/12**
Issuer Address **50 Carroll Street**		
City/Province/Postal Code **Toronto, ON M4M 3G3**	Issuer Fax No. **N/A**	Issuer Telephone No. **(833) 752-6499**
Contact Name **Leah Hodges**	Contact Position **Administrator**	Contact Telephone No. **(604) 377-0403**
Contact Email Address **leah.hodges@slangww.com**	Web Site Address **https://www.slangww.com/**	