SLANG WORLDWIDE

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

SLANG Worldwide Inc.

Table of Contents

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.

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.