

MEDIPHARM LABS CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2024 and 2023

NOTICE OF NO AUDITOR REVIEW

The accompanying condensed interim consolidated financial statements for MEDIPHARM LABS CORP. (the "Company") have been prepared by management. Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Obligations, the Company advises that the accompanying condensed interim consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by an auditor. The Company's auditor has not performed a review of the accompanying condensed interim consolidated financial statements of the Company in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CONTENTS
PAGE

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2-3
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS	4
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS	5
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	6
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS .	8-33
NOTE 1 NATURE OF OPERATIONS	8
NOTE 2 BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	9-13
NOTE 3 BUSINESS COMBINATION	13-15
NOTE 4 FINANCIAL ASSETS AND FINANCIAL LIABILITIES	15
NOTE 5 TRADE AND OTHER RECEIVABLES	15
NOTE 6 INVENTORIES	15-16
NOTE 7 BIOLOGICAL ASSETS	16-17
NOTE 8 OTHER ASSETS	17
NOTE 9 ASSETS HELD FOR SALE	18
NOTE 10 PROPERTY, PLANT AND EQUIPMENT	19-21
NOTE 11 LOANS AND BORROWINGS	22-23
NOTE 12 PROVISION, CONTINGENT ASSETS AND LIABILITIES, COMMITMENTS	23
NOTE 13 TRADE AND OTHER PAYABLES	24
NOTE 14 CAPITAL, RESERVES AND OTHER EQUITY ITEMS	24-26
NOTE 15 REVENUE	27
NOTE 16 EXPENSES BY NATURE	28-29
NOTE 17 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT	29-32
NOTE 18 FAIR VALUE OF FINANCIAL INSTRUMENTS	32
NOTE 19 SEGMENT INFORMATION	32
NOTE 20 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	33
NOTE 21 EVENTS AFTER THE REPORTING PERIOD	33

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at September 30, 2024 and December 31, 2023

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

	Notes	September 30, 2024	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents		13,092	17,981
Trade and other receivables	5	6,693	5,866
Inventories	6	9,045	9,887
Biological assets	7	148	12
Other assets	8	1,241	1,094
		30,219	34,840
Assets held for sale	9	4,348	1,793
Total current assets		34,567	36,633
Non-current assets:			
Property, plant and equipment	10	19,631	25,272
Intangibles	10.2	898	1,032
Other assets	8	748	1,000
Total non-current assets		21,277	27,304
Total assets		55,844	63,937

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at September 30, 2024 and December 31, 2023

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

	Notes	September 30, 2024	December 31, 2023
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	13	7,758	6,750
Current employee benefit obligations		2,383	1,887
Loans and borrowings	11	619	2,226
Total current liabilities		10,760	10,863
Non-current liabilities:			
Loans and borrowings	11	35	69
Total non-current liabilities		35	69
Total liabilities		10,795	10,932
Equity:			
Common shares	14	200,952	200,244
Reserves		29,840	29,532
Accumulated other comprehensive loss		(43)	(39)
Accumulated deficit		(185,700)	(176,732)
Total equity		45,049	53,005
Total liabilities and equity		55,844	63,937

Commitments and contingencies 12
Subsequent events 21

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

/s/ "David Pidduck"
David Pidduck
Director

/s/ "Chris Taves"
Chris Taves
Director

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS

For the three and nine months ended September 30, 2024 and 2023

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

	Notes	Three months ended September 30		Nine months ended September 30	
		2024	2023	2024	2023
Revenue	15	10,597	9,460	32,406	26,661
Excise taxes		(799)	(955)	(2,487)	(2,730)
Net revenue		9,798	8,505	29,919	23,931
Cost of sales		(6,159)	(7,641)	(19,993)	(21,237)
Gross profit before change in fair value of of biological assets		3,639	864	9,926	2,694
Realized fair value adjustment on sale of inventories	7	(732)	824	(1,409)	(393)
Unrealized gain on changes in fair value of biological assets	7	213	729	672	1,358
Gross profit		3,120	2,417	9,189	3,659
General administrative expenses		(3,919)	(4,314)	(12,090)	(11,628)
Marketing and selling expenses		(1,397)	(1,675)	(4,182)	(4,711)
Research and development expenses		(126)	(61)	(200)	(150)
Share-based compensation expense	14,16	(160)	(386)	(1,631)	(1,721)
Other operating (expenses) income, net		(226)	(336)	(92)	(766)
Operating loss		(2,708)	(4,355)	(9,006)	(15,317)
Gain on bargain purchase	3	-	-	-	4,669
Finance income		169	174	593	613
Finance expense		(235)	(149)	(555)	(264)
Loss before taxation		(2,774)	(4,330)	(8,968)	(10,299)
Taxation recovery		-	3	-	3
Net loss for the period		(2,774)	(4,327)	(8,968)	(10,296)
Basic and diluted loss per share		(0.01)	(0.01)	(0.02)	(0.03)
Weighted average number of outstanding shares		411,070,282	398,523,941	406,714,253	358,500,851

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2024 and 2023

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

	Notes	Three months ended September 30		Nine months ended September 30	
		2024	2023	2024	2023
Net loss for the period		(2,774)	(4,327)	(8,968)	(10,296)
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		21	134	(4)	250
Total comprehensive loss for the period		(2,753)	(4,193)	(8,972)	(10,046)

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2024 and 2023

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

	<u>Common Shares</u>		<u>Reserves</u>		Accumulated other comprehensive income/(loss)	Accumulated deficit	Total
	Number	Share capital	Share-based payments	Warrant reserve			
Balance at January 1, 2023	282,164,905	191,256	23,303	5,095	-	(163,649)	56,005
Shares issued on exercise of RSUs (Note 14)	9,477,791	658	(658)	-	-	-	-
Shares issued for the purchase of VIVO (Note 3)	107,930,964	8,095	-	-	-	-	8,095
Share based compensation	-	-	1,721	-	-	-	1,721
Foreign exchange translation	-	-	-	-	250	-	250
Net loss for the period	-	-	-	-	-	(10,296)	(10,296)
Balance at September 30, 2023	399,573,660	200,009	24,366	5,095	250	(173,945)	55,775
Balance at January 1, 2024	401,397,439	200,244	24,437	5,095	(39)	(176,732)	53,005
Shares issued on exercise of RSUs (Note 14)	9,526,273	696	(1,172)	-	-	-	(476)
Shares issued on exercise of options (Note 14)	146,571	12	(1)	-	-	-	11
Share based compensation (Note 14)	-	-	1,481	-	-	-	1,481
Foreign exchange translation	-	-	-	-	(4)	-	(4)
Net loss for the period	-	-	-	-	-	(8,968)	(8,968)
Balance at September 30, 2024	411,070,283	200,952	24,745	5,095	(43)	(185,700)	45,049

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

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2024 and 2023

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

	Notes	Three months ended September 30		Nine months ended September 30	
		2024	2023	2024	2023
Cash flows from operating activities:					
Net loss for the period		(2,774)	(4,327)	(8,968)	(10,296)
Adjustments for:					
Depreciation and amortization	10	518	617	2,039	1,799
Write down of inventory	6	(144)	265	179	1,116
Change in fair value of biological assets	7	519	(1,553)	737	(965)
Impairment of assets held for sale	9	113	17	190	17
Impairment of property, plant and equipment	10	-	22	-	183
Gain on disposal of property, plant and equipment	10	-	-	(296)	-
Change in expected credit loss	5,17	-	40	(57)	(1,970)
Finance expense (income), net		66	(25)	(38)	(349)
Unrealized foreign exchange difference		2	38	(42)	279
Share based compensation		160	386	1,631	1,721
Gain on bargain purchase	3	-	-	-	(5,682)
Cash used by operating activities before changes in working capital		(1,540)	(4,520)	(4,625)	(14,147)
Change in trade and other receivables	5	(473)	(230)	(770)	519
Change in inventories	6	221	2,227	178	2,943
Changes in biological assets	7	(57)	(8)	(136)	13
Change in other assets	8	434	815	(147)	299
Change in trade and other payables	13	553	(1,201)	1,836	(3,901)
Change in other current tax receivable		-	-	-	129
Change in current employee benefit obligation		200	(315)	(130)	332
Changes in working capital		878	1,288	831	334
Net cash used in operating activities		(662)	(3,232)	(3,794)	(13,813)
Cash flows from investing activities:					
Capital expenditures	10	(33)	(260)	(110)	(352)
Cash acquired from business combination		-	-	-	1,013
Proceeds from sale of property, plant and equipment	10	-	-	347	-
Proceeds from sale of assets held for sale	9	-	1,903	220	1,903
Net cash provided by investing activities		(33)	1,643	457	2,564
Cash flows from financing activities:					
Loan received	11	50	-	799	1,066
Repayment of loans and borrowings	11	(2,275)	(315)	(2,602)	(1,441)
Interest received		169	174	593	613
Interest paid		(149)	(85)	(281)	(187)
Payment of lease liabilities		(17)	(73)	(112)	(178)
Net cash provided by financing activities		(2,222)	(299)	(1,603)	(127)
Effects of exchange rate changes		18	96	51	181
Decrease in cash and cash equivalents		(2,899)	(1,792)	(4,889)	(11,195)
Cash and cash equivalents at the beginning of the period		15,991	14,742	17,981	24,145
Cash and cash equivalents at the end of the period		13,092	12,950	13,092	12,950

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 1 - NATURE OF OPERATIONS

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

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

The Company’s international subsidiaries, Beacon Medical Germany GmbH and Beacon Medical Australia Pty Ltd, market and distribute branded medical cannabis products within the regulations of their respective regions.

The head office and the registered and records office of the Company is located at 151 John St. Barrie, Ontario, L4N 2L1.

These condensed interim consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2024 (the “Interim Financial Statements”), include the financial statements of the Company and its wholly owned subsidiaries. Throughout these Interim Financial Statements, unless the context indicates or requires otherwise, the terms the “Company”, “MediPharm”, “we”, “us” and “our” refer to MediPharm Labs Corp. together with its subsidiaries. The Company’s subsidiaries as at September 30, 2024 are listed below:

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

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

On November 13, 2024, the Board of Directors of the Company approved these Interim Financial Statements.

(ii) Historical cost convention

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

(iii) Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

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

Foreign operations

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

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

(iv) Basis of consolidation

Subsidiaries

The percentage of voting power held by the parent company, MediPharm Labs Corp. and its subsidiaries and the total percentage of ownership interests at September 30 and December 31 are presented below:

Subsidiaries	Proportion of voting power held by the Company		
	(%)	(%)	(%)
	September 30, 2024	December 31, 2023	September 30, 2023
MediPharm Labs Inc.	100%	100%	100%
MPL Property Holdings Inc.	100%	100%	100%
MPL Manufacturing Inc.	100%	100%	100%
2612785 Ontario Inc.	100%	100%	100%
MPL International Holdings Inc.	100%	100%	100%
VIVO Cannabis Inc.	100%	100%	100%
ABcann Medicinals Inc.	100%	100%	100%
Canna Farms Limited	100%	100%	100%
Harvest Medicine Inc.	100%	100%	100%
Green Earth Realty Inc.	100%	100%	100%
Patients' Choice Botanicals Inc.	100%	100%	100%
Universal Botanicals Inc.	100%	100%	100%
Beacon Medical Germany GmbH	100%	100%	100%
Beacon Medical Australia Pty Ltd	100%	100%	100%
2649924 Ontario Inc.	100%	100%	100%

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the condensed interim consolidated statements of

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

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

loss and condensed interim consolidated statements of comprehensive loss from the date the Company gains control of the subsidiary until the date when the Company ceases to control the subsidiary.

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

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

(v) Business combination

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

2.2 New accounting pronouncements or policies adopted in 2024

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

- Amendments to IFRS 16
- Amendments to IAS 1

2.3 Use of estimates and judgements

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

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

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

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

(i) Expected loss rate

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

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

The Company issues share-based warrants and stock options. In estimating the fair value of the share-based warrants and stock options, the Company uses the Black Scholes option pricing model with inputs such as expected life, expected forfeiture rate and volatility of the stock option, based on their best estimate. The assumptions used for estimating fair value for share-based payment transactions with respect to stock options are disclosed in Note 14.2.

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

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

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

(Continued)

(iv) Valuation of biological assets and inventories

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

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

NOTE 3 – BUSINESS COMBINATION

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

VIVO shareholders received 0.2910 of a common share of the Company in exchange for each common share of VIVO they held immediately prior to closing of the Arrangement (the “**Exchange Ratio**”). In aggregate, the Company issued 107,930,964 common shares pursuant to the Arrangement to former VIVO shareholders as consideration for their Common Shares in VIVO.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 3 – BUSINESS COMBINATION (Continued)

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

Consideration paid

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

Cash and cash equivalents	1,013
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Trade and other receivables	2,154
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Prepays and deposits	283
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Inventories	4,017
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Biological assets	165
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Property, plant & equipment	12,282
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Intangible assets	880
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Trade and other payables	(4,795)
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Lease liabilities	(179)
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Convertible debentures	(2,306)
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Total identifiable net assets acquired	13,514
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Gain on bargain purchase	(5,419)
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Settlement of pre-existing relationship	750
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Net gain on bargain purchase	(4,669)
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Based on management's review of relevant information received after the acquisition date for circumstances that existed at the acquisition date, adjustments were made to the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price previously reported was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date. As at December 31, 2023, management finalized its purchase price allocation for the fair value of identifiable assets acquired and liabilities assumed.

The intangible assets acquired comprise brands, licences, and GMP certification. Brands acquired under the VIVO acquisition include Canna Farms, Beacon Medical and Harvest Medicine brands under which VIVO sells medical and adult-use cannabis and cannabis products in the domestic and international cannabis markets. The brands are subject to amortization with estimated useful lives between 5 to 10 years. The licenses acquired consist of VIVO's cultivation, processing and sales licenses and are subject to amortization over estimated useful lives of 5 years. GMP certification is subject to amortization over a useful life of 10 years.

The primary reason for the acquisition is attributed to the achievement of synergies expected from integrating VIVO and the Company. Gain on bargain purchase is calculated as the excess of the net assets identified as at acquisition date in comparison to the consideration paid. The Company purchased VIVO at

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 3 – BUSINESS COMBINATION (Continued)

a favourable price due to its financial condition, which resulted in a gain on bargain purchase of \$5,419. Gain on bargain purchase is not taxable.

NOTE 4 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	September 30, 2024	December 31, 2023
Financial assets at amortized cost		
Cash and cash equivalents	13,092	17,981
Trade and other receivables (Note 5)	6,693	5,866
Financial liabilities at amortized cost		
Trade and other payables (Note 13)	7,758	6,750
Current employee benefit obligations	2,383	1,887
Loan and borrowings (Note 11)	654	2,295

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

NOTE 5 – TRADE AND OTHER RECEIVABLES

	September 30, 2024	December 31, 2023
Trade receivables, net	6,228	5,515
Other receivables (1)	59	79
HST/GST/VAT receivable	406	272
	6,693	5,866

(1) Other receivables primarily comprise accrued interest.

Credit risk and aging analysis related to trade receivables are included in Note 17.1.

NOTE 6 – INVENTORIES

	September 30, 2024	December 31, 2023
Raw materials	2,602	2,198
Finished goods	5,032	6,418
Consumables and packages	1,411	1,271
	9,045	9,887

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 6 – INVENTORIES (Continued)

For the three months ended September 30, 2024, the Company recognized net reversals of write downs of the carrying value of its raw materials and finished goods of \$144 in cost of sales. During the nine months ended September 30, 2024, the Company recognized write downs of the carrying value of its raw materials and finished goods of \$179. (During the three and nine months ended September 30, 2023: write downs of \$265 and \$1,116 in cost of sales.)

NOTE 7 – BIOLOGICAL ASSETS

	September 30, 2024	December 31, 2023
As at January 1	12	-
Recognized on business combination	-	165
Unrealized gain on changes in fair value of biological assets	672	1,867
Transfer to inventories upon harvest	(536)	(2,020)
As at end of period	148	12

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

As at September 30, 2024, the Company's biological assets were, on average, 62% complete (December 31, 2023 – 17% complete) and it was expected that the biological assets would yield approximately 81kg of dry flower and 20kg of trim (December 31, 2023 – 24kg and 12kg, respectively). As at September 30, 2024, the Company had 1,541 plants (December 31, 2023 – 398 plants) that were biological assets.

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

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

- Average number of weeks in the growing cycle is sixteen weeks from propagation to harvest. As at September 30, 2024 the Company considered plants less than 3.5 weeks of age to be in the cloning stage; between 3.5 and 6 weeks to be in the vegetative state; and more than 6 weeks to be in the flowering stage. The estimates for the growing cycle are unchanged from December 31, 2023.
- Expected average harvest yield as at September 30, 2024 was 105g per plant (December 31, 2023 – 71g), approximately 80% of which is dry flower and 20% is trim (December 31, 2023 – 93% and 7%).

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 7 – BIOLOGICAL ASSETS (Continued)

- Expected average fair value of \$1.80 per gram for flower products and \$0.07 per gram for trim at the time of harvest as at September 30, 2024 (December 31, 2023 - \$3.35 and \$0.07, respectively).
- Expected average cost to complete harvest and cost of post-harvest activities to prepare bulk product is \$0.20 per gram as at September 30, 2024 (December 31, 2023 - \$0.60 per gram).

The expected average fair values were determined by using recent bulk flower purchases and the Company's historical purchases and sales, and the Company's expected purchase price going forward. The estimates of growing cycle, harvest yield and costs per gram are based on the Company's historical results. These assumptions are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. As the value of biological assets as at September 30, 2024 is immaterial, sensitivity analysis is not disclosed.

NOTE 8 – OTHER ASSETS

	September 30, 2024	December 31, 2023
Current assets		
Deposits and down payments (1)	338	265
Prepaid insurance (Note 11)	670	635
Other (2)	233	194
	1,241	1,094
	September 30, 2024	December 31, 2023
Non-current assets		
Deposits and down payments (1)	748	1,000
	748	1,000

(1) Deposits and down payments primarily include the down payments to suppliers for the purchase of inventory. The non-current deposits relate to inventory credit received from one of the Company's customers in connection with the settlement of a long outstanding receivable.

(2) Other includes prepaid expense for software licenses, software maintenance services, professional services, and property taxes.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 9 – ASSETS HELD FOR SALE

Hope Site

As at September 30, 2024, the Company expects to recover the carrying value of its facility in Hope, British Columbia, including certain machinery and office equipment at the facility, through a sale transaction, rather than continuing use. The net book value of this facility and the machinery and office equipment at the time of the decision was \$3,793. These assets are measured at their carrying values, which is less than fair value less costs to sell as at September 30, 2024. Efforts to sell the facility have commenced and a sale is expected to occur within the next twelve months.

Lands

As at September 30, 2024, management was committed to a plan to sell a piece of land located at Yale Road in Hope, British Columbia. Accordingly, the company has presented the land as held for sale. Efforts to sell the land have commenced and a sale is expected within the next twelve months. The fair value less costs to sell the land as of September 30, 2024 was estimated to be \$555. During the nine month period ended September 30, 2024, the Company recorded an impairment loss of \$190 in respect of this property, in other operating expenses in the Interim Financial Statements.

During the nine month period ended September 30, 2024, the Company sold the land at Vanluven Road in Napanee, Ontario, previously classified as held for sale, for net proceeds of \$220.

Production machinery

During the nine month period ended September 30, 2024, the Company derecognized the balance in assets held for sale (\$829) for certain production machinery against the proceeds for the machinery (\$829), previously classified as contract liabilities. The acquiring entity purchased and paid for the assets in a previous period and took possession of the assets during the nine months ended September 30, 2024.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	January 1, 2024	Additions	Transfers (2)	Transfer to Assets held for sale	Disposals	September 30, 2024
Cost						
Land	2,813	-	-	(950)	-	1,863
Building and building improvements	27,837	26	-	(2,890)	-	24,973
Leasehold improvements	209	-	-	-	-	209
Computers	1,380	6	1	-	(7)	1,380
Office equipment	255	-	-	(42)	-	213
Machinery and plant equipment	15,825	76	2,500	(186)	(5,482)	12,733
Motor vehicles	37	-	-	-	-	37
Security equipment	738	-	-	-	-	738
Construction in progress (1)	2,500	2	(2,501)	-	-	1
Right-of-use assets (Note 10.1)	658	-	-	-	(437)	221
	52,252	110	-	(4,068)	(5,926)	42,368
Less: Accumulated depreciation and impairment losses						
Building and building improvements	9,327	664	-	(181)	-	9,810
Leasehold improvements	154	6	-	-	-	160
Computers	1,344	26	-	-	(6)	1,364
Office equipment	201	24	-	(21)	-	204
Machinery and plant equipment	12,263	1,117	2,409	(73)	(5,432)	10,284
Motor vehicles	33	4	-	-	-	37
Security equipment	718	15	-	-	-	733
Construction in progress	2,410	-	(2,409)	-	-	1
Right-of-use assets (Note 10.1)	532	49	-	-	(437)	144
	26,982	1,905	-	(275)	(5,875)	22,737
Net book value	25,270					19,631

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

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

10.1 Right-of-use assets

The Company leases assets including land, building, equipment and IT equipment. The details of the asset types where the Company is lessee are listed below. Total amount of leases with a term of 12 months or less (“short-term leases”) expensed to the condensed interim consolidated statements of loss for the three and nine months ended September 30, 2024, is \$7 and \$33 respectively (three and nine months ended September 30, 2023: \$10 and \$23, respectively).

	January 1, 2024	Additions	Disposals	September 30, 2024
Cost				
Right-of-use assets				
-Land	117	-	(117)	-
-Building	342	-	(121)	221
-Equipment	167	-	(167)	-
-IT equipment	32	-	(32)	-
	658	-	(437)	221
Less: Accumulated depreciation and impairment				
Right-of-use assets				
-Land	117	-	(117)	-
-Building	221	44	(121)	144
-Equipment	167	-	(167)	-
-IT equipment	27	5	(32)	-
	532	49	(437)	144
Net book value	126			77

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

10.2 Intangible assets

	January 1, 2024	Additions	September 30, 2024
Cost			
Brands	950	-	950
Licenses	225	-	225
GMP certification	180	-	180
	1,355	-	1,355
Less: Accumulated amortization and impairment			
Brand	272	83	355
Licenses	34	34	68
GMP certification	17	17	34
	323	134	457
Net book value	1,032		898

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 11 – LOANS AND BORROWINGS

	September 30, 2024	December 31, 2023
Current liabilities		
Convertible debentures (1)	-	1,778
Other loans and borrowings (2)	571	327
Lease liability (3)	48	121
	619	2,226
	September 30, 2024	December 31, 2023
Non-current liabilities		
Lease liability (3)	35	69
	35	69
Total loans and borrowings	654	2,295

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

	September 30, 2024	December 31, 2023
As at January 1	1,778	-
Recognized on business combination	-	2,306
Principal repayment	(2,047)	(500)
Interest payment	(146)	(53)
Accretion	415	25
As at end of period	-	1,778

- (2) Other loans and borrowings comprise a financing arrangement for the Company's insurance premiums. Under the current financing arrangement, the Company initially borrowed a notional amount of \$749 and repaid \$220 during the three and nine months ended September 30, 2024. The debt has a maturity date of March 30, 2025, bears an interest rate of 7.7% and is repayable in 7 remaining equal monthly instalments. During the period, the Company borrowed an additional \$50 and repaid \$8 during the three and nine months ended September 30, 2024. This debt has a maturity date of June 1, 2025, bears an interest rate of 12.12% and is repayable in 9 remaining equal monthly instalments. Under the previous financing arrangement, the Company repaid \$110 and \$327 during the three and nine months ended September 30, 2024.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 11 – LOANS AND BORROWINGS (Continued)

- (3) The Company has various lease agreements with maturities of 1 to 3 years. An average incremental borrowing rate of 11.6% is used to calculate the net present value of the lease liability. The maturity analysis of lease liability based on contractual undiscounted cash flow is included in Note 17.2.

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

12.1 Litigation

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

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 13 – TRADE AND OTHER PAYABLES

	September 30, 2024	December 31, 2023
Payable to suppliers (1)	3,508	2,130
Accrued liabilities (2)	2,751	3,018
Contract liabilities (3)	161	112
Deposits from customers (4)	682	279
Deposits on assets held for sale	-	829
Other (5)	656	382
	7,758	6,750

- (1) Payable to suppliers are amounts due to vendors for unpaid goods and services received arising in the ordinary course of business. Trade payables are typically short term in nature with due dates less than 60 days.
- (2) Accrued liabilities mainly result from products and services received from third parties related to ordinary course of business for which invoices have not been received as of the reporting date, and also includes severance liabilities of \$543 (December 31, 2023: \$633).
- (3) Contract liabilities comprise of advance consideration received from customers for contracts that include revenue recognition over time. During the three and nine months ended September 30, 2024, the Company recognized revenue amounting to \$35 and \$107 respectively from contract liabilities and received additional advance consideration of \$156.
- (4) Deposits from customers comprise of down payments from customers for products to be delivered.
- (5) Other includes HST/GST/QST payable and excise tax payable.

NOTE 14 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

14.1 Common shares issued

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

For the nine months ended September 30, 2024, 146,571 stock options (September 30, 2023: nil stock options) were exercised into Common Shares for proceeds of \$11 (September 30, 2023: \$nil), resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of \$12 (September 30, 2024: \$nil). In addition, during the nine months ended September 30, 2024, 16,042,036 RSUs (September 30, 2023: 9,477,791) were settled through issuance of 9,526,273 Common Shares (September 30, 2023: 9,477,791), resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of \$696 (September 30, 2023: \$658). The unissued shares are withheld for tax obligations, which are settled in cash by the Company.

14.2 Stock options / Share based compensation

During the nine months ended September 30, 2024, the Company did not grant any options to purchase Common Shares under the Company's omnibus equity incentive plan (the "Plan").

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 14 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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

	2024	2023
	Weighted average exercise price	Weighted average exercise price
Number of options	\$	Number of options
	\$	\$
As at January 1	40,938,502	26,642,138
Issued during the period	-	2,559,847
Exercised during the period	(146,571)	-
Forfeited/cancelled during the period	(6,353,745)	(956,300)
As at September 30	34,438,186	28,245,685

The range of exercise prices for options outstanding as at September 30, 2024 is as below:

Exercise price range	Weighted average remaining contractual life (years)	Number of outstanding options
	2024	2024
Equal to \$0.06 and less than \$0.10 ⁽¹⁾	3.33	20,631,386
Equal to \$0.10 and less than \$0.15	2.69	5,183,650
Equal to \$0.15 and less than \$0.20	2.27	6,700,000
Equal to \$0.20 and less than \$0.50	0.70	310,000
Equal to \$0.50 and less than \$1.00	1.12	630,000
Equal to and more than \$1.00	0.32	983,150
		34,438,186

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 14 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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

	2024	2023
	Number of RSUs	Number of RSUs
As at January 1	24,670,248	18,802,634
Granted during the period	-	1,298,399
Exercised during the period	(16,042,036)	(9,477,791)
Forfeited during the period	(499,523)	(67,712)
As at September 30	8,128,689	10,555,530

14.3 Share purchase warrants

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 15 – REVENUE

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

	Three months ended		Nine months ended	
	September 30 2024	2023	September 30 2024	2023
Canada	6,219	5,944	18,599	16,381
International sales				
Australia	2,493	2,236	6,447	4,276
Germany	1,024	319	4,738	2,582
Other	62	5	135	692
	9,798	8,505	29,919	23,931
Canadian Adult Use and Wellness	1,690	2,247	5,317	7,591
Canadian Medical Cannabis				
Clinics	532	2,960	1,683	1,211
Other Canadian Medical Cannabis	3,214	583	9,053	6,743
	3,746	3,543	10,736	7,954
International Medical Cannabis	3,517	2,560	11,167	7,397
Pharmaceutical and B2B	845	154	2,699	989
	9,798	8,505	29,919	23,931
Products transferred at a point in time	8,959	8,342	27,451	23,240
Products and services transferred over time	839	163	2,468	691
	9,798	8,505	29,919	23,931

For the three months ended September 30, 2024, the Company had only one customer (three months ended September 30, 2023: two) which individually contributed 10% or more of the Company's total revenue for the period. Individually, this customer represented 24.0% of total revenue for the three months ended September 30, 2024 (three months ended September 30, 2023: two customers represented 26.3%, 11.8%). The Company had no other customer that represented more than 10% of the Company's total revenues for the three months ended September 30, 2024.

For the nine months ended September 30, 2024, the Company had only one customer (nine months ended September 30, 2023: two) which individually contributed 10% or more of the Company's total revenue for the period. Individually, this customer represented 19.8% of total revenue for the nine months ended September 30, 2024 (nine months ended September 30, 2023: two customers represented 17.1% and 14.0%). The Company had no other customer that represented more than 10% of the Company's total revenues for the nine months ended September 30, 2024.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 16 – EXPENSES BY NATURE

	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Inventory and consumables recognized in cost of sales	3,308	3,894	9,792	9,649
Fair value adjustments in cost of sales	519	(1,553)	737	(964)
Write down of inventory to net realizable value (Note 6)	(144)	265	179	1,116
Employee compensation (4)	3,935	4,962	13,074	15,260
Consulting and professional fees (5)	1,158	846	2,852	3,404
ECL on trade receivables (2)	-	40	(57)	(1,970)
Share based compensation expense (3)	160	386	1,631	1,721
Supplies and small equipment	300	331	829	913
Depreciation and amortization	518	617	2,040	1,799
Rent and occupancy cost	259	579	914	1,036
Foreign exchange loss	21	358	31	572
Analytical testing	268	181	890	779
Advertising and promotion	248	277	731	999
Insurance	259	441	913	1,338
Software and licenses	245	288	752	819
Freight	435	498	1,264	1,087
Health Canada fee and regulatory costs (7)	221	152	675	235
Other (1)	796	450	1,678	1,690
	12,506	13,012	38,925	39,483

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

(2) During the nine months ended September 30, 2023, the Company received cannabis products valued at \$1,546 as settlement for a long outstanding debt of \$6,076. The Company has previously assessed this entire receivable as credit impaired and recorded an expected credit loss (“ECL”) for the entirety of this receivable. The amount recovered, including tax recoveries of \$464, has been recognized as income during the nine months ended September 30, 2023, in general administrative expenses.

(3) For the nine months ended September 30, 2024, out of total share-based compensation expense of \$1,631 (September 30, 2023: \$1,721), general administrative expense portion is \$1,364 (September 30, 2023: \$1,354), marketing and selling expense portion is \$88 (September 30, 2023: \$168), cost of sales portion is \$123 (September 30, 2023: \$199) and research and development portion is \$56 (September 30, 2023: \$nil).

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 16 – EXPENSES BY NATURE (Continued)

(4) For the three months ended September 30, 2024, out of total share-based compensation expense of \$160 (September 30, 2023: \$386), general administrative expense portion is \$126 (September 30, 2023: \$209), marketing and selling expense portion is \$13 (September 30, 2023: \$57), cost of sales portion is \$13 (September 30, 2023: \$120) and research and development portion is \$8 (September 30, 2023: \$nil).

(5) Employee compensation includes severance cost in relation to restructuring measures undertaken by the Company during the year. For the three and nine months ended September 30, 2024, the severance cost incurred in relation to the restructuring amounted to \$88 and \$1,147 (three and nine months ended September 30, 2023: \$273 and \$1,968).

(6) Consulting and professional fees primarily consist of audit and tax, information technology, quality assurance, and legal services.

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

NOTE 17 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

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

17.1 Credit risk

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

The Company holds cash and cash equivalents of \$13,092 (December 31, 2023: \$17,981). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks, large credit unions, or other large foreign banks.

At September 30, 2024, the exposure to credit risk for gross trade receivables and contract assets by the type of customer is as follows:

	September 30, 2024	December 31, 2023
Business to business customers	4,519	3,926
Insurance companies	952	751
Distributors / Retailers (1)	872	1,046
	6,343	5,723

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 17 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

As at September 30, 2024, the Company holds trade receivables from two customers representing 24%, and 15% of total trade receivables of total trade receivables (December 31, 2023: five customers representing 20%, 12%, 11%, 10%, and 10%). The Company had no other customer that represented more than 10% of the Company's gross trade receivables.

17.1 Credit risk (Continued)

The Company limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from certain business-to-business customers before the shipment of the products. Also, the Company's management believes that the exposure to credit risk from distributors is very limited since most of the distributors are either government organizations or large reputable organizations. As at September 30, 2024, the allowance for expected credit losses in connection with its trade receivables and contract assets was \$115 (December 31, 2023: \$208).

The aging of the Company's trade receivables at September 30, 2024 is as follows:

	September 30, 2024 Carrying amount	December 31, 2023 Carrying amount
Current (not past due)	4,634	4,414
1-30 days past due	1,070	991
31-90 days past due	480	79
90-270 days past due	49	45
270-365 days past due	-	170
>365 days	110	24
Gross trade receivables	6,343	5,723
Expected credit losses	(115)	(208)
Net trade receivables	6,228	5,515

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

	2024	2023
Balance at January 1	208	6,210
Net remeasurement of loss allowance	(93)	(6,114)
Expected credit losses as at September 30	115	96

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 17 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

17.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period the Company held deposits at banks and financial institutions of \$13,092 (December 31, 2023: \$17,981) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

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

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

Contractual maturities of financial liabilities At September 30, 2024	Total Less than 6 months	6-12 months	12-36 months	36-60 months	Contractual cash flows	Carrying amount
Trade and other payables	7,468	215	75	-	7,758	7,758
Employee benefit obligations	1,077	1,306	-	-	2,383	2,383
Loans and borrowings	494	92	-	-	586	571
Lease liability	23	23	37	-	83	83
Total financial liabilities	9,062	1,636	112	-	10,810	10,795

17.3 Market risk

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

(i) Foreign currency risk

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

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 17 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

17.4 Capital risk management

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

Management defines capital as the Company's shareholders' equity and debt (consisting of the Company's loans and borrowings). As at September 30, 2024, total managed capital is \$45,703 (December 31, 2023: \$55,300). The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund both existing and future value-added growth opportunities. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners or through debt financing.

NOTE 18 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

During the nine months ended September 30, 2024, there were no transfers between levels. The Company does not have any level 3 financial instruments.

NOTE 19 – SEGMENT INFORMATION

The Company operates in one reportable segment, the production and sales of cannabis flower, extracts and derivative products. The Company's country of domicile is Canada. The carrying value of non-current assets located in Canada and outside of Canada is \$21,275 and \$2 (December 31, 2023: \$27,300 and \$3), respectively and these assets are primarily made up of property, plant and equipment and deposits given for property, plant and equipment.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

NOTE 20 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

20.1 Key management personnel compensation

The Company has determined that key management personnel consist of directors and officers in the Company. The non-share-based compensation remuneration to directors and officers during the three and nine months ended September 30, 2024 was \$411 and \$1,232 respectively (three and nine months ended September 30, 2023: \$423 and \$1,273 respectively) and is included in general and administrative expenses.

During the nine months ended September 30, 2024 the Company issued nil options at an average exercise price of \$nil per share (nine months ended September 30, 2023: nil options at \$nil per share) and nil RSUs (nine months ended September 30, 2023: nil RSUs) to its key management personnel and recognized total share-based compensation expense related to key management personnel of \$1,004 (nine months ended September 30, 2023: \$1,112).

During the nine months ended September 30, 2024, the Company's key management personnel exercised nil options for gross proceeds of \$nil (nine months ended September 30, 2023: nil options for gross proceeds of \$nil) and 12,505,848 RSUs held by the Company's key management personnel were settled through the issuance of 7,876,481 Common Shares amounting to \$573 (nine months ended September 30, 2023: 7,876,759 RSUs were exercised through the issuance of 7,876,759 common shares amounting to \$554). The unissued shares are withheld for taxes.

20.2 Transactions and balances with key management personnel

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. The Company had no transactions with these companies during the nine months ended September 30, 2024 and 2023.

As at September 30, 2024, the Company has \$735 (December 31, 2023: \$360) due to key management personnel and no amount was due to entities over which they have control or significant influence (December 31, 2023: \$nil). The balance due to key management personnel comprise of accrued compensation and is included in current employee benefit obligations in the condensed interim consolidated statements of financial position.

NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

(i) Issued and cancelled stock options and RSUs

Subsequent to September 30, 2024, nil options were granted, 50,000 options were exercised, and 58,333 options were forfeited resulting in 34,329,853 stock options remaining outstanding as of the date these Interim Financial Statements were approved by the Board of Directors of the Company.

Subsequent to September 30, 2024, nil RSUs were granted, nil RSUs were forfeited, and nil RSUs were settled resulting in 8,128,689 RSUs remaining outstanding as of the date these Interim Financial Statements were approved by the Board of Directors of the Company.