# Adastra Holdings Ltd.
(formerly Phyto Extractions Inc.)

**Consolidated Financial Statements**

**For the years ended December 31, 2024 and 2023**

(Expressed in Canadian dollars)

# Independent Auditor's Report

To the members of the Audit Committee of Adastra Holdings Ltd.:

## Opinion

We have audited the consolidated financial statements of Adastra Holdings Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

We conducted our audit 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 audit 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 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and comprehensive loss during the year ended December 31, 2024 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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

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

**MNP LLP**

2000, 112 - 4th Avenue SW, Calgary AB, T2P 0H3 1.877.500.0792 T: 403.263.3385 F: 403.269.8450

***Valuation of inventory***

*Key Audit Matter Description*

We draw attention to Note 3 and Note 6 of the consolidated financial statements. The company values their inventory at the lower of cost and net realizable value. The company used the weighted average costing method to cost inventory of extracted cannabis and hemp oil. The costing consists of various inputs/compentents including: biomass; acquisition; analytical testing; labour; consumables; materials; packaging supplies; utilities; facility costs; and depreciation.

We considered this to be a key audit matter due to the significant judgements and estimates applied by management in determining the appropriate value of inventory held as at December 31, 2024. This resulted in a high degree of auditor judgement, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's judgements and estimates.

*Audit Response*

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

- Obtained an understanding of the inventory process and evaluated the design and implementation of key controls within this process related to the valuation of inventory.
- Evaluated the incorporation of source data into the inventory costing model and tested the accuracy of formulas used, including testing management’s process for developing the inventory costing model.
- Tested management’s calculation of production costs and allocation of indirect costs including labour and overhead by assessing the appropriateness of the allocation method used and recalculating the allocations.
- Tested the quantities used in the model by physically observing and verifying inventory quantities on a sample basis.
- Performed price testing on raw material inputs purchased by tracing recorded costs to supporting third-party invoices to ensure accuracy and reasonableness.
- We performed price testing on raw material inputs purchased by tracing recorded costs to supporting third-party invoices to ensure accuracy and reasonableness.

***Impairment assessment of goodwill - manufacturing cash-generating unit ("CGU")***

*Key Audit Matter Description*

We draw attention to Note 3, Note 8, and Note 9 of the consolidated financial statements. Management conducts an assessment of whether indicators of impairment exist on non-financial assets at the end of each reporting period, or when there is an indication of impairment, and performs an annual impairment test for any CGU to which goodwill is allocated. Prior to the annual impairment test of the manufacturing CGU, the Company noted impairment indicators related to the Phyto brand trademarks. Due to changes in the cannabis industry, the Company has been unable grow the brand as initially expected and the Company recorded an impairment of $2.18M related to the Phyto trademarks.

The Company's goodwill balance for the manufacturing CGU was $9.4M as of December 31, 2024. Any impairment charges are determined by comparing the recoverable amount of the manufacturing CGU to its carrying value. The recoverable amount of the manufacturing CGU is determined by management based on projected future cash flows. The projections for the manufacturing CGU included a terminal growth rate, an after-tax discount rate, tax rate, an annual growth rate, and gross margin. Based on the result of the impairment assessment, an impairment charge of $9.4M was recognized for the manufacturing CGU, which resulted in a nil balance of goodwill as of December 31, 2024.

We considered this to be a key audit matter due to the significant judgements and estimates applied by management in determining the appropriate value of the manufacturing CGU, which had goodwill allocated to it, as at December 31, 2024. This resulted in a high degree of auditor judgement, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's judgements and estimates.

*Audit Response*

We responded to this matter by performing audit procedures relating to the impairment assessment of the manufacturing CGU, which had goodwill allocated to it. Our audit work in relation to this included, but was not restricted to, the following:

- Obtain an understanding of the cash forecasting and budgeting process and the impairment assessment process as well as evaluated the design and implementation of key controls within these processes related to the valuation of goodwill and impairment assessment.
- Obtained management's impairment assessment, and compared managements revenue growth rate forecasts to historical results, market trends, and year-to-date actual earnings. We checked the mathematical accuracy of the formulas and ensured all relevant cash flows were captured in the model.
- Performed a sensitivity analysis on the key assumptions to assess the impact of reasonable changes on the determination of the recoverable amounts.
- We involved our internal valuations experts with specialized skills and knowledge to assist with the assessment of the valuation methodologies used within management's impairment model and the reasonability of significant assumptions including discount rates and other inputs by comparing them to industry data and other benchmarks.

## 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 Elena Ruttan.

Calgary, Alberta

MNP LLP

April 28, 2025

Chartered Professional Accountants

MNP

**ADASTRA HOLDINGS LTD.**
**Consolidated Statements of Financial Position**
**As at December 31, 2024 and 2023**
(Expressed in Canadian dollars)

| | Note | 2024 | 2023 |
|---|---|---|---|
| | | **$** | $ |
| **ASSETS** | | | |
| Current assets | | | |
| Cash | | **1,296,727** | 1,378,960 |
| Accounts receivable | 4 | **2,919,080** | 3,910,045 |
| Prepaid expenses and deposits | 5 | **471,959** | 1,277,699 |
| Inventory | 6 | **5,594,309** | 4,290,475 |
| Income tax receivable | | **21,772** | 20,778 |
| | | **10,303,847** | 10,877,957 |
| Long-term deposits | 5 | **512,000** | 512,000 |
| Property and equipment | 7 | **8,526,397** | 9,011,417 |
| Intangible assets | 8 | **-** | 2,505,208 |
| Goodwill | 9 | **-** | 9,436,189 |
| **Total assets** | | **19,342,244** | 32,342,771 |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 10,15 | **14,271,549** | 13,421,342 |
| Current portion of lease liability | 11 | **19,032** | 16,714 |
| Government loan | | **63,000** | - |
| Current portion of mortgage payable | 12 | **-** | 3,479,054 |
| | | **14,353,581** | 16,917,110 |
| Deferred tax liability | 21 | **-** | 593,000 |
| Lease liability | 11 | **68,389** | 87,513 |
| Mortgage payable | 12 | **3,470,540** | - |
| Government loan | | **-** | 60,000 |
| **Total liabilities** | | **17,892,510** | 17,657,623 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 13 | **29,964,446** | 29,964,446 |
| Reserves | 13 | **6,474,732** | 6,474,732 |
| Deficit | | **(34,989,444)** | (21,754,030) |
| **Total shareholders' equity** | | **1,449,734** | 14,685,148 |
| **Total liabilities and shareholders' equity** | | **19,342,244** | 32,342,771 |

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 17)

Approved on behalf of the Board of Directors on April 28, 2025:

*/s/ Jon Edwards* — **Director**

*/s/ Paul Morgan* — **Director**

The accompanying notes are an integral part of these consolidated financial statements.

**ADASTRA HOLDINGS LTD.**
**Consolidated Statements of Loss and Comprehensive Loss**
**For the years ended December 31, 2024 and 2023**
(Expressed in Canadian dollars, except number of shares)

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | **$** | $ |
| **Revenue** | | **44,855,983** | 37,666,838 |
| Excise taxes | | **(20,012,602)** | (15,444,193) |
| **Net Revenue** | | **24,843,381** | 22,222,645 |
| | | | |
| **Cost of sales** | 6,7 | **(16,065,167)** | (14,655,812) |
| **Gross profit** | | **8,778,214** | 7,566,833 |
| | | | |
| **Operating expenses** | | | |
| General and administrative | 19 | **4,626,601** | 4,011,594 |
| Sales and marketing | 19 | **3,904,616** | 4,623,912 |
| Depreciation and amortization | 7,8 | **463,402** | 536,467 |
| Provision for expected credit losses | 4,16 | **755,297** | 188,619 |
| **Total operating expenses** | | **9,749,916** | 9,360,592 |
| | | | |
| **Loss from operations** | | **(971,702)** | (1,793,759) |
| | | | |
| **Other income (expense)** | | | |
| Gain on settlement of accounts payable | | **16,543** | 95,355 |
| Gain on sale of subsidiary | | **139,920** | - |
| Interest expense | 3(h),10,11,12 | **(1,396,778)** | (1,040,193) |
| Impairment of goodwill | 9 | **(9,436,189)** | - |
| Impairment of intangible assets | 8 | **(2,180,208)** | (220,800) |
| Impairment of property and equipment | 7 | **-** | (459,577) |
| Loss on termination of license agreement | | **-** | (442,668) |
| | | | |
| **Loss before income taxes** | | **(13,828,414)** | (3,861,642) |
| | | | |
| Deferred income tax recovery | 21 | 593,000 | 215,000 |
| Income tax recovery (expense) | 21 | **-** | 102,000 |
| | | | |
| **Net loss and comprehensive loss** | | **(13,235,414)** | (3,544,642) |
| | | | |
| **Net loss per share** | | | |
| Basic and diluted | 22 | **(2.36)** | (0.63) |
| | | | |
| **Weighted average number of common shares outstanding** | | | |
| Basic and diluted | | **5,597,050** | 5,597,050 |

The accompanying notes are an integral part of these consolidated financial statements.

**ADASTRA HOLDINGS LTD.**
**Consolidated Statements of Cash Flows**
**For the years ended December 31, 2024 and 2023**
(Expressed in Canadian dollars)

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| **Operating activities** | | |
| Net loss and comprehensive loss for the year | **(13,235,414)** | (3,544,642) |
| Adjustments for non-cash items: | | |
| Depreciation and amortization | **1,226,195** | 1,410,185 |
| Interest expense | **1,396,778** | 637,826 |
| Impairment of property and equipment | **-** | 459,577 |
| Impairment of intangible assets | **2,180,208** | 220,800 |
| Provision for expected credit losses | **755,297** | 188,619 |
| Gain on settlement of accounts payable | **(16,543)** | (95,355) |
| Deferred income tax recovery | **(593,000)** | (215,000) |
| Impairment of goodwill | **9,436,189** | - |
| Impairment of inventory | **-** | 482,103 |
| Loss on termination of license agreement | **-** | 442,668 |
| Income tax recovery | **-** | (102,000) |
| | | |
| Net change in non-cash working capital items: | | |
| Accounts receivable | **235,668** | (979,567) |
| Prepaid expenses and deposits | **805,740** | (863,487) |
| Inventory | **(1,303,834)** | (767,296) |
| Accounts payable and accrued liabilities | **(60,059)** | 4,862,407 |
| Income tax receivable | **(994)** | - |
| Deferred revenue | **-** | (275,575) |
| **Cash provided by operating activities** | **826,231** | 1,861,263 |
| | | |
| **Investing activity** | | |
| Purchases of property and equipment | **(416,175)** | (681,047) |
| **Cash used in investing activity** | **(416,175)** | (681,047) |
| | | |
| **Financing activities** | | |
| Mortgage renewal fee | **(35,000)** | (35,000) |
| Payment of mortgage interest | **(427,000)** | (391,810) |
| Repayment of lease liability | **(30,289)** | (26,735) |
| Proceeds (repayments) of short-term loan | **-** | (361,578) |
| **Cash used in financing activities** | **(492,289)** | (815,123) |
| | | |
| Net increase (decrease) in cash | **(82,233)** | 365,093 |
| Cash, beginning of year | **1,378,960** | 1,013,867 |
| **Cash, end of year** | **1,296,727** | 1,378,960 |

The accompanying notes are an integral part of these consolidated financial statements.

**ADASTRA HOLDINGS LTD.**
**Consolidated Statements of Changes in Shareholder's Equity**
(Expressed in Canadian dollars, except number of shares)

| | Common shares[1] | Share capital | Shares to be cancelled | Reserves | Deficit | Total |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| **Balance, December 31, 2022** | 5,597,050 | 29,964,446 | - | 6,474,732 | (18,209,388) | 18,229,790 |
| Loss for the year | - | - | - | - | (3,544,642) | (3,544,642) |
| **Balance, December 31, 2023** | 5,597,050 | 29,964,446 | - | 6,474,732 | (21,754,030) | 14,685,148 |
| Loss for the year | - | - | - | - | (13,235,414) | (13,235,414) |
| **Balance, December 31, 2024** | **5,597,050** | **29,964,446** | **-** | **6,474,732** | **(34,989,444)** | **1,449,734** |

(1) Effective October 3, 2024, there was a 10:1 share consolidation of common shares held. As a result of the share consolidation, all shares and options, warrants, EPS, and per share amounts have been restated in the consolidated financial statements reflecting the share consolidation.

The accompanying notes are an integral part of these consolidated financial statements.

## NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Adastra Holdings Ltd. (the "Company") was incorporated under the laws of the province of British Columbia on October 14, 1987. The Company extracts and processes cannabis for sale to the recreational and medical markets in Canada. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "XTRX". The Company's registered and records office is located at 5451 275th Street, Langley City, British Columbia, V4W 3X8.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence. The Company's ability to continue as a going concern is dependent on its ability to generate positive cash flows from operations, complete additional financings, staying current with obligations arising out of excise tax remittances, and/or extend or modify its mortgage payable (Note 12).

As at December 31, 2024, the Company had a working capital deficiency of $4,049,734 (2023 - $6,039,153) and a deficit of $34,989,444 (2023 - $21,754,030). During the year ended December 31, 2024, the Company incurred a net loss and comprehensive loss of $13,235,414 (2023 - $3,544,642). These events and conditions indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

## NOTE 2 - BASIS OF PRESENTATION

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These consolidated financial statements were approved by the Board of Directors and authorized for issue on April 28, 2025.

### (b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss. In addition, except for cash flow information, these consolidated financial statements have been prepared using the accrual method of accounting.

All amounts on these consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

### (c) Principles of consolidation

These consolidated financial statements include the financial information of the Company and entities controlled by the Company. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All intercompany transactions and balances are eliminated on consolidation. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

(Expressed in Canadian dollars, except number of shares)

**NOTE 2 - BASIS OF PRESENTATION (continued)**

These consolidated financial statements incorporate the accounts of the Company and the following Canadian subsidiaries:

| | Functional currency | 2024 Ownership percentage | 2023 Ownership percentage |
|---|---|---|---|
| Adastra Labs Holdings (2019) Ltd. | CAD | 100% | 100% |
| Adastra Labs Inc. | CAD | 100% | 100% |
| 1178562 B.C. Ltd. | CAD | 100% | 100% |
| Adastra Brands Inc. | CAD | 100% | 100% |
| Chemia Analytics Inc. (1) | CAD | N/A | 100% |
| 1225140 B.C. Ltd ("PerceiveMD")(2) | CAD | 0% | 100% |
| 1204581 B.C. Ltd. ("Phyto BrandCo") | CAD | 100% | 100% |

(1) Dissolved during the year ended December 31, 2024
(2) Sold on November 5, 2024 (Note 20)

**NOTE 3 - MATERIAL ACCOUNTING POLICY INFORMATION**

**(a) Significant accounting judgements and key sources of estimation uncertainty**

The preparation of the consolidated financial statements requires management to make judgements, and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgements, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgements which may cause a material adjustment to the carrying amounts of assets and liabilities.

The areas which require management to make critical judgments include:

*Going concern*

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption was not appropriate for the consolidated financial statements, adjustments to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position would be necessary. Such adjustments would be material.

*Impairment of property and equipment*

Property and equipment are reviewed for indicators of impairment at each reporting period end or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

**NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

*Determination of Cash Generating Units*

The Company's assets are aggregated into cash-generating units for purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on management's judgments and assessment of the CGU's ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required

The information about significant areas of estimation uncertainty considered by management in preparing these consolidated financial statements is as follows:

*Inventory*

The Company reviews the net realizable value of, and demand for, its inventory regularly to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include competitor actions, supplier prices, government regulations, and economic trends.

The weighted average costing method uses estimates in the allocation of direct and indirect inputs in the production of multiple product categories. These estimated allocations could be impacted by variations in manufacturing yields in production.

*Useful lives and depreciation of property and equipment and intangible assets*

The depreciation methods and useful lives reflect the pattern in which management expects the assets' future economic benefits to be consumed by the Company. Judgments are required in determining these expected useful lives.

*Impairment of non-financial assets*

Management uses estimates in determining the recoverable amount of intangible assets and goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as:

- future cash flows;
- terminal growth rates; and
- discount rates.

Management regularly evaluates these estimates and assumptions. 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.

Judgment is also applied in choosing methods of amortizing intangible assets that management believes most accurately represent the consumption of those assets and are most representative of the economic substance of the intended use of the underlying assets. A change in the estimate would result in a change in the amount of amortization and, as a result, a charge to net loss recorded in the period in which the change occurs, with a similar change in the carrying value of the asset in the statement of financial position.

*Valuation of receivables*

The Company recognizes an impairment loss allowance for expected credit losses ("ECL") on trade accounts receivable using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

## NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

*Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

*Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### (b) Cash

Cash is comprised of deposits in financial institutions, and cash on hand with original maturities of three months or less.

### (c) Inventory

Inventory is valued at the lower of cost and net realizable value. The cost of cannabis biomass is comprised of initial third-party acquisition costs, plus analytical testing costs. The Company uses the weighted average costing method to cost extracted cannabis and hemp oil inventory, costs comprised of initial acquisition cost of the biomass and all direct and indirect processing costs including labor related costs, consumables, materials, packaging supplies, utilities, facility costs, analytical testing costs, and production related depreciation. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Packaging and supplies are initially valued at cost and subsequently at the lower of cost and net realizable value.

### (d) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. No depreciation is recorded in the year of disposal.

Depreciation is recognized over the following terms, intended to depreciate the cost of property and equipment, less its residual values if any, over its estimated useful lives:

| | |
|---|---|
| Furniture and equipment | 20% declining balance |
| Building improvements | 10 years straight line |
| Building | 20 years straight line |
| Extraction equipment | 20% declining balance |
| Laboratory equipment | 20% declining balance |
| Computer software | 20% declining balance |
| Right-of-use asset | 4 years straight line over the lease term |

**NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period they are incurred. Any gain or loss on the disposal or retirement of equipment is recognized in profit or loss.

**(e) Intangible assets**

Intangible assets represent trademarks and patient relationships acquired from business acquisitions.

Intangible assets with finite lives are measured at cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives. Useful lives, residual values, and amortization methods for intangible assets with finite useful lives are reviewed at least annually.

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of impairment. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of 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 current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized. A reversal of an impairment loss is recognized immediately in profit or loss. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

The Company's intangible assets are comprised of trademarks and patient relationships which are amortized over their useful lives:

| | |
|---|---|
| Trademarks | 10 years straight line |
| Patient relationships | 5 years straight line |

**(f) Goodwill**

The Company allocates goodwill arising from business combinations to each CGU or group of CGUs. The carrying amount of the CGU or group of CGUs to which goodwill has been allocated is tested annually for impairment or when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a CGU, any impairment of goodwill previously recorded is not subsequently reversed. During the year ended December 31, 2024, the Company fully impaired the goodwill (Note 9).

**NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**(g) Leases liabilities**

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and,
- restoration costs

The right-of-use asset is subsequently amortized over the shorter of the asset's estimated useful life or the term of the lease.

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The Company applies *IAS 36 - Impairment of Assets*, to determine whether the asset is impaired and account for any identified impairment loss.

As a practical expedient, IFRS 16 permits a lease not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient, and accordingly allocates the consideration in the contract to lease and non-lease components based on the stand-alone price of the lease component and aggregate stand-alone price of the non-lease components.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as such in profit or loss.

*Recognition exemptions*

The Company has elected not to recognize the right of use asset and lease obligations for short-term leases that have a lease term of 12 months or less or for leases of low-value assets. Payments associated with these leases are recognized as general and administrative expense on a straight-line basis over the lease term on the consolidated statement of loss and comprehensive loss.

**(h) Government assistance**

Government grants and assistance are recognized as a reduction in the related expense in the period in which the grant or assistance becomes receivable on all conditions, if any, have been satisfied.

During the year ended December 31, 2020, the Company qualified for a government-guaranteed bank loan of $60,000 which is interest-free. Funds can be used to pay non-deferrable operating expenses including payroll. As at December 31, 2024, the principal of $60,000 is outstanding (December 31, 2023 - $60,000). The loan is due on demand due to the Company not paying interest payments. During the year ended December 31, 2024, the Company recorded interest expense of $3,000 (2023 - $nil) related to the government loan.

**NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**(i) Share capital**

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company uses the residual value method with respect to the measurement of common share purchase warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the trading price of common shares to be the more easily measurable component. The balance, if any, is allocated to the common share purchase warrants. Any fair value attributed to the common share purchase warrants is recorded as reserves.

**(j) Financial instruments**

All financial instruments are recognized initially at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

*Classification and measurement of financial assets and liabilities*

A financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Company classifies its financial instruments in the following categories based on the purpose for which the asset was acquired: FVTPL, amortized cost and FVOCI. The Company's financial assets and financial liabilities are classified and measured as follows:

| **Asset/Liability** | **Classification** |
|---|---|
| Cash | Amortized cost |
| Amounts receivable | Amortized cost |
| Deposits | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Mortgage payable | Amortized cost |
| Government loan | Amortized cost |

*Impairment*

An ECL model applies to financial assets measured at amortized cost. The Company's receivables and deposits are measured at amortized cost and are therefore subject to the ECL model.

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset (a "loss event"), and that loss event has an impact on the estimated future cash flows of that asset. Objective evidence may include significant financial difficulty of the debtor/obligor and/or delinquency in payment. When impairment has occurred, the cumulative loss is recognized in profit or loss.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses may be reversed in subsequent periods.

**NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**(k) Revenue**

*Cannabis product sales*

Revenue from the sale of products is recognized when the risks and rewards of the products have been substantially transferred to the customer (usually on delivery of the goods), which is the Company's sole performance obligation. The Company provides for sales returns equal to 1.47% of the returnable products gross sales amount, which is based on historical returns. Net revenues are recorded net of excise taxes, salvage fees, and discounts but inclusive of freight in the sale of goods. During the year ended December 31, 2024, the Company recorded cannabis product sales of $44,089,149 before excise taxes (2023 - $37,106,185).

*White label manufacturing*

White label manufacturing, earned under fee for service agreements, are recognized at a point in time when the Company is considered to have satisfied its performance obligations. The performance obligations are considered satisfied once all of the following have been met: (i) the manufacturing process (services) are complete; (ii) regulatory quality assurance, and customer quality assurance specifications (acceptance of the finished goods) have been met; and (iii) when the transaction price can be reliably measured in instances of variable consideration or non-monetary consideration.

At times, the Company may enter into contracts with customers where payment for the services provided by the Company is in the form of retention of a certain portion of the finished goods. In such instances, the consideration amount is variable, and it's determined based on fair market values for the same or similar goods. As fair market values are readily available for cannabis concentrate, the level of estimation uncertainty is limited.

Net revenues are recorded net of excise taxes and discounts but inclusive of freight in the sale of goods. Once the customer has accepted the finished goods, the Company has no legal obligations for returns, refunds, warranties or similar obligations.

During the year ended December 31, 2024, the Company recognized revenue of $478,927 (2023 - $198,705) related to white label manufacturing.

*Consulting revenue*

Medical Services Plan ("MSP") remittance revenue is received from the provincial government of British Columbia for providing medical assessments and consultations to British Columbian residents under the MSP. MSP remittance revenue is recognized at the point of service, being the provision of the consultation by the licensed physician. During the year ended December 31, 2024, the Company recognized MSP remittance revenues of $201,644 (2023 - $228,664).

Referral revenue (educational service fees) is earned under referral agreements with licensed producers ("LP's") of medical cannabis in Canada, duly licensed in accordance with the Cannabis Act. Under the agreements, LP's pay the Company an educational service fee of 20% of the gross revenue they receive from sales of all products purchased by customers who have been referred by the Company, including medicinal cannabis and any oils, derivatives, compounds, or other related products. During the year ended December 31, 2024, the Company recognized referral revenues of $86,263 (2023 – $133,284).

## NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### (l) Cost of sales

Cost of sales represents costs directly related to manufacturing and distribution of the Company's products and services. Primary costs include raw materials, packaging, direct labor, overhead, shipping and the depreciation of production equipment and facilities. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes. The Company recognizes the cost of sales as the associated revenue is recognized.

Cost of inventories is determined as follows:

- Raw materials - at cost of purchase using the "weighted average" method.
- Work in progress and finished goods - on the basis of average costs including materials, labor and other direct and indirect manufacturing costs based on normal capacity.
- Purchased merchandise and products - using the weighted average cost method.

### (m) Share-based payments

The Company has a stock option plan that provides for the granting of options to officers, directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest.

Options granted to employees and others providing similar services are measured at the grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model using the terms and conditions upon which the options were granted as inputs. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an operating expense and as an increase in reserves. When options are exercised the consideration received is recorded as share capital and the related share-based payments originally recorded as reserves are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed from reserves and credited to deficit.

### (n) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**(o) Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets are reviewed for an indication of impairment at the end of each reporting period. Where impairment indicators exist or annually for goodwill, the Company makes an estimate of the asset's or CGU's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**(p) Income taxes**

Income tax comprises current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for any amendments to tax payable in respect of previous years.

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**(q) Loss per share**

Basic loss per common share is calculated by dividing the net loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Diluted net loss per share is equal to basic net loss per share for the periods presented as the effect would be anti-dilutive.

(Expressed in Canadian dollars, except number of shares)

**NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**(r) Certain comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

**(s) Standards issued but not yet effective**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2025. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

## NOTE 4 - ACCOUNTS RECEIVABLE

As at December 31, 2024 and 2023, amounts receivables consisted of the following:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Trade receivables, net of expected credit losses (Note 16) | **2,919,080** | 3,910,045 |
| | **2,919,080** | 3,910,045 |

During the year ended December 31, 2024, the Company recorded an additional provision for expected credit losses against trade receivables of $755,297 (2023 - $188,619) related to overdue trade receivables.

## NOTE 5 - PREPAID EXPENSES AND DEPOSITS

As at December 31, 2024 and 2023, prepaid expenses and deposits consisted of the following:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Prepaid expenses | **107,038** | 179,883 |
| Deposits | **364,921** | 1,097,816 |
| | **471,959** | 1,277,699 |

As at December 31, 2024, deposits of $364,921 (2023 - $1,097,816) consist of $278,340 (2023 - $919,492) in deposits for inventory ordered, $nil (2023 - $74,608) in deposits for equipment that has been ordered and $86,581 (2023 - $103,716) in other deposits.

Long-term deposits of $512,000 (2023 - $512,000) consist of deposits held in trust with the Canadian Revenue Agency ("CRA") for excise bond.

(Expressed in Canadian dollars, except number of shares)

## NOTE 6 - INVENTORY

As at December 31, 2024 and 2023, inventory consisted of the following:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Dried cannabis, hemp biomass and terpenes | **308,999** | 675,400 |
| Packaging | **1,601,575** | 1,138,676 |
| Production work in process | **1,841,758** | 1,216,893 |
| Finished goods | **1,841,977** | 1,259,506 |
| | **5,594,309** | 4,290,475 |

Inventory expensed to cost of sales during the year ended December 31, 2024 was $14,591,133 (2023 - $12,610,912).

During the year ended December 31, 2024, the Company recognized $nil (2023 - $482,103) in relation to the write down of expired inventory which was included in cost of sales.

During the year ended December 31, 2024, the Company allocated $3,082,759 in wages and salaries to inventory (2023 - $3,144,764).

(Expressed in Canadian dollars, except number of shares)

## NOTE 7 - PROPERTY AND EQUIPMENT

The following table summarizes the continuity of property and equipment as at December 31, 2024 and 2023:

| | Land | Building | Furniture and equipment | Computer software | Laboratory equipment | Extraction equipment | Building improvements | Right-of-use asset | Total |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | |
| Balance, December 31, 2022 | 1,592,232 | 1,999,328 | 179,145 | 12,105 | 1,242,171 | 3,299,640 | 3,958,408 | 90,344 | 12,373,373 |
| Additions | - | - | 263,067 | - | 158,807 | 259,173 | - | 82,333 | 763,380 |
| Impairment | - | - | - | - | - | (1,022,586) | - | - | (1,022,586) |
| Disposals | - | - | - | - | - | - | - | (40,376) | (40,376) |
| Balance, December 31, 2023 | 1,592,232 | 1,999,328 | 442,212 | 12,105 | 1,400,978 | 2,536,227 | 3,958,408 | 132,301 | 12,073,791 |
| Additions | - | - | 191,541 | - | 71,027 | 153,607 | - | - | 416,175 |
| **Balance, December 31, 2024** | **1,592,232** | **1,999,328** | **633,753** | **12,105** | **1,472,005** | **2,689,834** | **3,958,408** | **132,301** | **12,489,966** |
| | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | |
| Balance, December 31, 2022 | - | 416,446 | 67,350 | 5,521 | 242,910 | 1,354,778 | 540,056 | 19,490 | 2,646,551 |
| Depreciation | - | 99,964 | 51,482 | 1,316 | 222,188 | 406,470 | 197,923 | 23,042 | 1,002,385 |
| Impairment | - | - | - | - | - | (563,009) | - | - | (563,009) |
| Disposals | - | - | - | - | - | - | - | (23,553) | (23,553) |
| Balance, December 31, 2023 | - | 516,410 | 118,832 | 6,837 | 465,098 | 1,198,239 | 737,979 | 18,979 | 3,062,374 |
| Depreciation | - | 99,966 | 87,943 | 1,054 | 198,778 | 293,281 | 197,921 | 22,252 | 901,195 |
| **Balance, December 31, 2024** | **-** | **616,376** | **206,775** | **7,891** | **663,876** | **1,491,520** | **935,900** | **41,231** | **3,963,569** |
| | | | | | | | | | |
| **Carrying value** | | | | | | | | | |
| Balance, December 31, 2023 | 1,592,232 | 1,482,918 | 323,380 | 5,268 | 935,880 | 1,337,988 | 3,220,429 | 113,322 | 9,011,417 |
| **Balance, December 31, 2024** | **1,592,232** | **1,382,952** | **426,978** | **4,214** | **808,129** | **1,198,314** | **3,022,508** | **91,070** | **8,526,397** |

During the year ended December 31, 2024, the Company allocated $762,793 (2023 - $873,717) of depreciation to the production of inventory and $138,402 (2023 - $128,668) to operating expenses.

During the year ended December 31, 2024, the Company had no impairment indicators, and no impairment recognized. During the year ended December 31, 2023, the Company recognized an impairment loss of $459,577 related to extraction equipment which was replaced due to advancements in the extraction processes. The impairment loss was based on a fair value less cost of disposal of $nil as at December 31, 2023.

(Expressed in Canadian dollars, except number of shares)

## NOTE 8 - INTANGIBLE ASSETS

The following table summarizes the continuity of intangible assets as at December 31, 2024 and 2023:

| | **Trademarks** | **Patient relationships** | **Total** |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| Balance, December 31, 2022 | 3,250,000 | 414,000 | 3,664,000 |
| Impairment | - | (414,000) | (414,000) |
| Balance, December 31, 2023 | 3,250,000 | - | 3,250,000 |
| Impairment | (3,250,000) | - | (3,250,000) |
| **Balance, December 31, 2024** | **-** | **-** | **-** |
| **Accumulated depreciation** | | | |
| Balance, December 31, 2022 | 419,792 | 110,400 | 530,192 |
| Amortization | 325,000 | 82,800 | 407,800 |
| Impairment | - | (193,200) | (193,200) |
| Balance, December 31, 2023 | 744,792 | - | 744,792 |
| Amortization | 325,000 | - | 325,000 |
| Impairment | (1,069,792) | - | (1,069,792) |
| **Balance, December 31, 2024** | **-** | **-** | **-** |
| **Carrying value** | | | |
| Balance, December 31, 2023 | 2,505,208 | - | 2,505,208 |
| **Balance, December 31, 2024** | **-** | **-** | **-** |

During the year ended December 31, 2024, the Company noted impairment indicators related to the Phyto brand trademarks. Due to changes in the cannabis industry, the Company has been unable grow the brand as initially expected. The Company recorded an impairment of $2,180,208 related to the Phyto trademarks.

During the year ended December 31, 2023, the Company impaired Patient Relationships by $220,800 due to the Company's inability to hire enough doctors to leverage the Patient Relationships.

## NOTE 9 - GOODWILL

The following table summarizes the continuity of goodwill as at December 31, 2024 and 2023:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Opening balance | **9,436,189** | 9,436,189 |
| Impairment – Phyto BrandCo | **(9,436,189)** | - |
| **Closing balance** | **-** | 9,436,189 |

(Expressed in Canadian dollars, except number of shares)

**NOTE 9 – GOODWILL (continued)**

Annual impairment testing involves determining the recoverable amount of each CGU to which goodwill is allocated and comparing this to the carrying value of the CGU. To estimate the recoverable amount of each CGU, management calculated the value in use using an income approach over a five-year projection period, which is a Level 3 measurement within the fair value hierarchy.

At December 31, 2024, the Company has one CGUs comprised of manufacturing operations, in which Phyto BrandCo operates. During the year ended December 31, 2024, the Company disposed of PerceiveMD, which included the CGU comprised of the PerceiveMD operations. The Company used the following key assumptions to calculate the recoverable amounts for the CGUs. Included in management's projection of future cash flows were based on consideration of economic, industry and entity-specific risks and incorporated external information sources.

Manufacturing CGU Impairment

As at December 31, 2024, the Company had noted the following impairment indicators of the manufacturing CGU:

- The carrying amount of the Company's total net assets exceeded the Company's market capitalization; and
- Cannabis market conditions changes.

The manufacturing CGU contained the Phyto BrandCo goodwill of $9,436,189. The following key assumptions were used for the Manufacturing CGU as outlined below. The values assigned to the key assumptions represent management's assessment of the future trends in the industry and have been based on historical data from both external and internal resources.

| | **2024** | 2023 |
|---|---|---|
| After-tax discount rate | **20%** | 20.5% |
| Budgeted earnings growth rate (average of next 5 years) | **6.4%** | 18% |
| Year 1 growth rate | **18.5%** | 56% |
| Gross margin | **38.4%** | 46% |

During the year ended December 31, 2024, it was concluded that the recoverable amount was lower than the carrying value resulting in assessment of the recoverable amounts of its long-lived assets, indicating an impairment. The Company fully impaired the Phyto BrandCo goodwill by $9,436,189.

**NOTE 10 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at December 31, 2024 and 2023, accounts payable and accrued liabilities consisted of the following:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Accounts payable | **2,210,279** | 2,113,918 |
| Accrued liabilities | **609,964** | 371,351 |
| Excise tax payable | **11,151,279** | 10,461,096 |
| Sales tax payable | **300,027** | 474,977 |
| | **14,271,549** | 13,421,342 |

Effective October 17, 2018, Canada Revenue Agency ("CRA") began levying an excise tax on the sale of medical and consumer cannabis products. The Company becomes liable for these excise duties when cannabis products are delivered to the customer. The Company's CRA cannabis license must be renewed monthly. During the year ended December 31, 2024, the Company recorded interest expense of $849,399 (2023 - $419,756) related to outstanding excise taxes and $77,410 (2023 - $211,405) related to other overdue accounts.

(Expressed in Canadian dollars, except number of shares)

## NOTE 11 - LEASE LIABILITY

A summary of the Company's lease liabilities for the year ended December 31, 2024 and 2023 is as follows:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Opening balance | **104,227** | 63,588 |
| Additions | **-** | 82,333 |
| Disposals | **-** | (25,516) |
| Interest | **13,483** | 10,557 |
| Repayments | **(30,289)** | (26,735) |
| Closing balance | **87,421** | 104,227 |
| Less: current portion | **(19,032)** | (16,714) |
| Long-term portion | **68,389** | 87,513 |

On June 15, 2023, the Company entered into a four-year lease for a promotional vehicle. The base monthly payment is $1,188 with an initial payment of $9,806. The incremental borrowing rate used to discount the lease liability was 16%.

The following table sets out a maturity analysis of the leases payable, showing the undiscounted lease payments to be paid on an annual basis, reconciled to lease obligations:

| | |
|---|---|
| | **$** |
| Less than one year | 30,197 |
| One to two years | 30,197 |
| Two to three years | 49,502 |
| Total undiscounted lease payments payable | 109,896 |
| Less: impact of present value | (22,475) |
| **Balance – December 31, 2024** | **87,421** |

## NOTE 12 - MORTGAGE PAYABLE

| | **Fifth Mortgage** | **Sixth Mortgage** | **Seventh Mortgage** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance, December 31, 2022 | 3,507,389 | - | - | 3,507,389 |
| New mortgage (refinancing) | (3,500,000) | 3,500,000 | - | - |
| Transaction costs | - | (35,000) | - | (35,000) |
| Finance expense | 216,859 | 181,616 | - | 398,475 |
| Repayments | (224,248) | (167,562) | - | (391,810) |
| Balance, December 31, 2023 | - | 3,479,054 | - | 3,479,054 |
| New mortgage (refinancing) | - | (3,500,000) | 3,500,000 | - |
| Transaction costs | - | - | (35,000) | (35,000) |
| Finance expense | - | 382,321 | 71,165 | 453,486 |
| Repayments | - | (361,375) | (65,625) | (427,000) |
| **Balance, December 31, 2024** | **-** | **-** | **3,470,540** | **3,470,540** |

**NOTE 12 - MORTGAGE PAYABLE (continued)**

a) On September 28, 2022, the Company refinanced the fourth mortgage (the "Fifth Mortgage") which bears interest at the greater of 9.75% or the prime rate plus 4.30% per annum, calculated monthly, for one year. As at December 31, 2024, the prime rate was 3.25% (2023 – 5%).The Fifth Mortgage has a maturity date of November 1, 2023, and is secured by the property and building improvements.

   The Fifth Mortgage payable was recorded at amortized cost (principal value less $35,000 transaction costs). The Company maintained minimum interest-only payments of $28,438 per month. On July 26, 2023, the Fourth Mortgage was refinanced.

b) On July 26, 2023, the Company refinanced the Fifth Mortgage (the "Sixth Mortgage") which bears interest at the greater of 11.49% or the prime rate plus 4.29% per annum, calculated monthly, for one year. As at December 31, 2024, the prime rate was 3.25% (2023 – 5%). The interest rate increased to 15.99% for an additional 3 months. The Sixth Mortgage had a maturity date of November 1, 2024 and was secured by the property and building improvements. The Sixth Mortgage payable was recorded at amortized cost (principal value less $35,000 transaction costs).

c) On October 29, 2024, the Company refinanced the Sixth Mortgage (the "Seventh Mortgage") which bears interest at the greater of 11.25% or the prime rate plus 5.3% per annum, calculated monthly, for one year. As at December 31, 2024, the prime rate was 3.25% (2023 – 5%). The interest rate increases to the greater of 17.99% or the prime rate plus 12.04% for an additional 3 months. The Seventh Mortgage has a maturity date of February 1, 2026 and is secured by the property and building improvements. The Seventh Mortgage payable was recorded at amortized cost (principal value less $35,000 transaction costs).

   As at December 31, 2024, the carrying value of the mortgage was $3,470,540 (2023 - $3,479,054) and the Company maintains minimum interest-only payments of $32,813 (2023 - $33,513) per month. As at December 31, 2024, the total non-discounted remaining scheduled payments related to the mortgage including interest payments totaled $3,985,538 (2023 - $3,874,500). Total interest expense during the year ended December 31, 2024 was $453,486 (2023 - $398,475).

**NOTE 13 - SHARE CAPITAL**

**(a) Authorized**

Unlimited number of voting common shares without par value.

**(b) Issued share capital**

As at December 31, 2024, 5,597,050 common shares were issued and outstanding (2023 - 5,597,050).

**(c) Share issuances**

Effective October 3, 2024, there was a 10:1 share consolidation of common shares held. As a result of the share consolidation, all shares and options, warrants, EPS, have been restated in the consolidated financial statements reflecting the share consolidation.

During the years ended December 31, 2024 and 2023, the Company had no share transaction.

(Expressed in Canadian dollars, except number of shares)

**NOTE 13 - SHARE CAPITAL (continued)**

**(d) Stock options**

The Company has an incentive stock option plan (the “Plan”) which provides for the granting of options. Under the Plan the maximum number of stock options issued cannot exceed 10% of the Company’s currently issued and outstanding common shares. Options granted under the Plan may have a maximum term of ten years. A participant, who is not a consultant conducting investor relations activities, who is granted an option that is exercisable at the market price at the date of grant, will have their options vest immediately, unless otherwise determined by the Board of Directors. Options granted at below market prices will vest one-sixth every three months.

Options belonging to a participant who is a consultant conducting investor relations activities who is granted an option under the Plan will become vested with the right to exercise one-quarter of the option upon conclusion of every three months subsequent to the grant date. All options are to be settled by issuance of common shares.

During the year ended December 31, 2024 and 2023, the Company had no stock option grants.

A summary of the changes in the Company’s stock options outstanding and exercisable is as follows:

| | Stock options outstanding and exercisable | Weighted average exercise price |
|---|---|---|
| | # | $ |
| As at December 31, 2022 | 366,500 | 13.96 |
| Forfeited | (79,500) | 13.83 |
| As at December 31, 2023 | 287,000 | 13.77 |
| Forfeited | (64,000) | 9.08 |
| **As at December 31, 2024** | **223,000** | **15.11** |

As at December 31, 2024, the Company had stock options outstanding and exercisable as follows:

| Expiry date | Options outstanding and exercisable | Weighted average exercise price | Weighted average remaining life |
|---|---|---|---|
| | # | $ | Years |
| January 30, 2025 | 133,334 | 13.50 | 0.08 |
| August 5, 2025 | 48,333 | 23.40 | 0.60 |
| August 5, 2026 | 3,333 | 13.50 | 1.60 |
| October 25, 2026 | 30,000 | 10.60 | 1.82 |
| October 28, 2026 | 8,000 | 9.50 | 1.83 |
| | **223,000** | **15.11** | **0.51** |

(Expressed in Canadian dollars, except number of shares)

**NOTE 13 - SHARE CAPITAL (continued)**

**(e) Warrants**

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the changes in the Company's warrants outstanding and exercisable is as follows:

| | Warrants outstanding and exercisable | Weighted average exercise price |
|---|---|---|
| | # | $ |
| As at December 31, 2022 | 12,273 | 17.50 |
| Expired | (12,273) | 17.50 |
| **As at December 31, 2023 and 2024** | **-** | **-** |

**NOTE 14 - RELATED PARTY TRANSACTIONS**

Key management personnel are those having the authority and responsibility for planning, directing, and controlling the Company. There were no loans to key management personnel or directors, or entities over which they have control or significant influence during the year ended December 31, 2024 and 2023.

The following related parties transacted with the Company or Company-controlled entities during the year ended December 31, 2024 and 2023:

a) Michael Forbes was a Director and the Company's President and CEO. He was appointed on April 29, 2021 and is the owner of MDC Forbes, which provides CEO services to the Company. He resigned on March 29, 2024.
b) Paul Morgan is a Director of the Company. He was appointed on July 14, 2021.
c) Smoke Wallin is a former Director of the Company that was appointed on May 16, 2022. He resigned on April 12, 2024.
d) Lachlan McLeod was appointed CFO of the Company on January 1, 2023 and was an employee of Fehr & Associates CPA ("F&A"), which provided accounting services to the Company. On June 2, 2023, the Company hired Mr. McLeod as an employee and the F&A agreement was subsequently terminated. Lachlan resigned as CFO and Corporate Secretary on September 25, 2024.

The aggregate value of transactions with key management personnel and directors and entities over which they have control or significant influence during the year ended December 31, 2024 and 2023 were as follows:

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Fehr & Associates CPA | **-** | 129,971 |
| Lachlan McLeod | **161,016** | 89,551 |
| MDC Forbes Inc. | **79,540** | 194,250 |
| Paul Morgan | **16,233** | - |
| Smoke Wallin | **12,000** | - |
| | **268,789** | 413,772 |

(Expressed in Canadian dollars, except number of shares)

**NOTE 14 - RELATED PARTY TRANSACTIONS (continued)**

As at December 31, 2024 and 2023, the Company had an outstanding accounts payable balance with related parties as follows:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Fehr & Associates CPA | **-** | 24,754 |
| Invictus Accounting Group LLP | **-** | 12,915 |
| MDC Forbes Inc. | **-** | 115,338 |
| | **-** | 153,007 |

All related party balances are unsecured and are due within thirty days without interest and incurred in the normal course of business.

The transactions with the key management personnel and directors are included in operating expenses as follows:

**(a) Consulting fees and professional fees**

Included CEO services by Michael Forbes, charged to the Company via MDC Forbes Inc., and accounting services of the Company's CFO, Lachlan McLeod.

During the year ended December 31, 2023, the Company incurred a placement fee of $52,500 to employ Lachlan McLeod directly and terminate the F&A agreement.

**(b) Wages and salaries**

During the year ended December 31, 2024, total wages and salaries paid to key management totaled $121,396 (2023 - $89,551) and incurred directors fees of $44,466 (2023 - $nil).

**(c) Office expenses**

During the year ended December 31, 2024, the Company included rent recover of $9,498 (2023 – rent expense of $36,750) related to MDC Forbes Inc. for the PerceiveMD operations.

**NOTE 15 - SUPPLEMENTAL CASH FLOW INFORMATION**

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| **Non-cash investing activities** | | |
| Equipment purchases included in accounts payable and accrued liabilities | - | - |
| Equipment acquired through a lease agreement | - | (82,333) |

Total income tax paid in the year ended December 31, 2024 was $nil (2023 - $nil).

## NOTE 16 - FINANCIAL RISK MANAGEMENT

### (a) Capital management

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations including corporate and administrative functions and to support operations. The Company obtains funding primarily through issuing common stock and through its mortgage payable. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes in the Company's approach to capital management during the year ended December 31, 2024. The Company is not subject to externally imposed capital requirements.

### (b) Financial instruments - fair value

The Company's financial instruments consist of cash, accounts receivables, deposits, accounts payable and accrued liabilities, mortgage payable, and government loan, all of which are classified as and measured at amortized cost. As at December 31, 2024, the carrying values of cash, accounts receivables, deposits and accounts payable and accrued liabilities, mortgage payable, and government loan approximate their fair value because of the short-term nature of these instruments.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes.

### (c) Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest rate risk.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations.

The Company is exposed to credit risk through its cash balances held in financial institutions and trade receivables. The maximum exposure to credit risk is equal to the carrying value of such financial assets.

(Expressed in Canadian dollars, except number of shares)

**NOTE 16 - FINANCIAL RISK MANAGEMENT (continued)**

The aging of the Company's accounts receivable as at December 31, 2024 was as follows:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Current | **2,796,204** | 3,206,312 |
| 1 – 30 days | **59,519** | 224,585 |
| 31- 60 days | **-** | 183,676 |
| 61 – 90 days | **-** | - |
| Over 90 days | **1,007,273** | 484,091 |
| Total accounts receivable | **3,862,996** | 4,098,664 |
| Provision for expected credit losses | **(943,916)** | (188,619) |
| | **2,919,080** | 3,910,045 |

The Company had the following changes related to the expected credit loss provision:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Opening balance | **188,619** | - |
| Additions to ECL | **755,297** | 188,619 |
| Expected credit loss provision | **943,916** | 188,619 |

Accounts receivable for cannabis sales are paid by most provinces in less than 60 days from receipt of goods.

The objective of managing credit risk is to minimize potential losses on financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors. The Company has recognized a provision for expected credit losses on its trade receivables. At December 31, 2024, 89% (2023 – 74%) of the Company's amounts receivable, net of expected credit losses, are held with provincial governments with low credit risk.

The Company had the following breakdown of customers with greater than 10% of overall accounts receivable:

| | **2024** | 2023 |
|---|---|---|
| Customer A | **41%** | 36% |
| Customer B | **23%** | 16% |
| Customer C | **14%** | 13% |
| Customer D | **9%** | 18% |

Cash is only deposited with or held by institutions of high credit worthiness.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages its liquidity risk by reviewing on an ongoing basis its cash position and if required raises funding through additional share capital issuances or debt financing.

(Expressed in Canadian dollars, except number of shares)

**NOTE 16 - FINANCIAL RISK MANAGEMENT (continued)**

A summary of undiscounted liabilities and future operating commitments as at December 31, 2024, are as follows:

| | **Total** | **Within 1 year** | **1 – 3 years** | **3 – 5 years** |
|---|---|---|---|---|
| Maturity analysis of financial liabilities | **$** | $ | $ | $ |
| Accounts payable and accrued liabilities | 14,271,549 | 14,271,549 | - | - |
| Lease liability | 109,895 | 30,197 | 79,698 | - |
| Mortgage payable | 3,985,538 | 433,067 | 3,552,471 | - |
| Government loan | 63,000 | 63,000 | - | - |
| | **18,429,982** | **14,797,813** | **3,632,169** | **-** |

As at December 31, 2024, the Company had a cash balance of $1,296,727 and current liabilities of $14,353,581 (2023 - $1,378,960 and $16,917,110 respectively).

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's mortgage payable and lease liabilities carry fixed interest rates and as such, the Company is not exposed to interest rate risk.

**(d) Economic dependence**

Economic dependence risk is the risk of reliance upon a select number of customers which significantly impact the financial performance of the Company. The Company had the following breakdown of customers with greater than 10% of overall revenue.

| | **2024** | 2023 |
|---|---|---|
| Customer A | **41%** | 37% |
| Customer B | **30%** | 28% |
| Customer C | **17%** | 18% |

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

*Contingencies*

On March 15, 2023, the Company was served with a civil claim filed in the Supreme Court of British Columbia pursuant to the Class Proceedings Act, R.S.B.C. 1996, c. 50 alleging that the Company's press release of February 22, 2023 misstated certain material facts which mislead the plaintiff in the claim. The suit also names the Company's subsidiary ALI. and the Company's Former Chief Executive Officer. The Company denies the allegations in the claim and specifically that the press release was misleading. No specific amount of damages is claimed. As of December 31, 2024, there have been no changes to the status of the claim.

(Expressed in Canadian dollars, except number of shares)

## NOTE 18 - SEGMENTED INFORMATION

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

The Company's chief operating decision makers are the Board of Directors. They review the operating performance of the Company by two segments comprised of manufacturing and non-manufacturing operations. The manufacturing operations includes the manufacturing, sale and distribution of cannabis related products. The non-manufacturing operations included PerceiveMD, which was disposed of during the year ended December 31, 2024 (Note 20). The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief operating decision makers utilize gross profit as a key measure in making operating decisions and assessing performance. The non-manufacturing segment is immaterial and, accordingly, segmented figures are not presented.

## NOTE 19 – EXPENSES

The Company presents its consolidated statements of net loss and comprehensive loss on a functional basis in which expenditures are aggregated to the function to which they relate. The Company has identified the major functions as general and administrative and sales and marketing.

| | **General and administrative** | **Sales and marketing** | **Total** |
|---|---|---|---|
| **Year ended December 31, 2024** | $ | $ | **$** |
| Advertising and promotion | - | 891,876 | 891,876 |
| Data program expenses | - | 2,474,821 | 2,474,821 |
| Insurance | 154,511 | - | 154,511 |
| Office expenses | 1,029,384 | - | 1,029,384 |
| Professional fees and consulting | 1,341,502 | - | 1,341,502 |
| Repair and maintenance expenses | 155,877 | - | 155,877 |
| Travel | - | 49,299 | 49,299 |
| Wages and salaries | 1,945,327 | 488,620 | 2,433,947 |
| | **4,626,601** | **3,904,616** | **8,531,217** |

| | **General and administrative** | **Sales and marketing** | **Total** |
|---|---|---|---|
| **Year ended December 31, 2023** | $ | $ | **$** |
| Advertising and promotion | - | 2,636,391 | 2,636,391 |
| Data program expenses | - | 1,438,277 | 1,438,277 |
| Insurance | 55,128 | - | 55,128 |
| Office expenses | 1,134,991 | - | 1,134,991 |
| Professional fees and consulting | 1,054,649 | - | 1,054,649 |
| Repair and maintenance expenses | 175,676 | - | 175,676 |
| Travel | - | 124,443 | 124,443 |
| Wages and salaries | 1,591,150 | 424,801 | 2,015,951 |
| | **4,011,594** | **4,623,912** | **8,635,506** |

(Expressed in Canadian dollars, except number of shares)

## NOTE 20 – SALE OF PERCEIVEMD

Effective November 5, 2024, the Company sold its fully owned subsidiary PerceiveMD. The disposal of the subsidiary was recognized as follows:

| | |
|---|---|
| Disposition: | **$** |
| Cash | 16,447 |
| Accounts receivable | 12,367 |
| Accounts payable | (165,813) |
| Income tax payable | (2,921) |
| | (139,920) |
| Consideration received: | |
| Cash | $0.10 |
| **Gain on disposal of subsidiary** | **139,920** |

## NOTE 21 – INCOME TAXES

Income tax expense differs from the amount that would result by applying the combined Canadian federal and provincial income tax rates to net income before income taxes. The statutory rate in Canada was 27% for the year ended December 31, 2024 (2023 – 27%).

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Loss for the year | **(13,828,414)** | (3,861,642) |
| Combined federal and provincial statutory income tax rates | **27%** | 27% |
| Expected income tax (recovery) | **(3,734,000)** | (1,043,000) |
| Change in statutory rates and other | **(89,000)** | (7,000) |
| Non-deductible items | **2,796,000** | 159,000 |
| Change in unrecognized deferred tax assets | **434,000** | 574,000 |
| **Total income tax recovery** | **(593,000)** | (317,000) |
| Current income tax expense (recovery) | **-** | (102,000) |
| Deferred tax (recovery) | **(593,000)** | (215,000) |

The components of the Company's deferred tax assets and liabilities are as follows:

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Deferred tax assets (liabilities) | | |
| Property equipment and other | **(246,000)** | (323,000) |
| Intangible assets | **-** | (676,000) |
| Non-capital losses | **246,000** | 406,000 |
| **Deferred tax liability** | **-** | (593,000) |

(Expressed in Canadian dollars, except number of shares)

**NOTE 21 – INCOME TAXES (continued)**

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| | **December 31, 2024** | **Expiry Date Range** | December 31, 2023 |
|---|---|---|---|
| | **$** | | $ |
| Property equipment and other | **2,047,959** | **No expiry date** | 1,988,000 |
| Non-capital losses | **10,948,333** | **2038 to 2044** | 9,910,000 |
| | **12,996,292** | | 11,898,000 |

The Company has non-capital losses, for which deductions against future taxable income are uncertain, of approximately $10,948,333 (2023 - $9,910,000) which, if not utilized, will expire from 2038 through 2044. Tax attributes are subject to review, and potential adjustment, by tax authorities.

**NOTE 22 – LOSS PER SHARE**

The following is a reconciliation of basic and diluted loss per share:

| | **2024** | **2023** |
|---|---|---|
| | **$** | **$** |
| Net loss from continuing operations attributable to shareholders | **(13,235,414)** | (3,544,642) |
| Weighted average number of Common Shares outstanding[1] | **5,597,050** | 5,597,050 |
| **Basic loss per share** | **(2.36)** | (0.63) |

(1) Effective October 3, 2024, there was a 10:1 share consolidation of common shares held. As a result of the share consolidation, all shares and options, warrants, EPS, have been restated in the consolidated financial statements reflecting the share consolidation.