ITEM 1. FINANCIAL STATEMENTS.

Condensed Consolidated Interim Financial Statements of
(Unaudited)

NEPTUNE WELLNESS SOLUTIONS INC.

For the three and six-month periods ended September 30, 2023 and 2022

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Financial Statements
(Unaudited)
For the three and six-month periods ended September 30, 2023 and 2022

Financial Statements

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Balance Sheets (Unaudited)
(in U.S. dollars)

	Notes	As at September 30, 2023 (Unaudited)	As at March 31, 2023
Assets			
Current assets:			
Cash and cash equivalents		$ 4,750,564	$ 1,993,257
Short-term investment		17,642	17,540
Trade and other receivables		4,585,960	7,507,333
Prepaid expenses		2,031,710	1,025,969
Inventories	5	12,060,951	13,006,074
Total current assets		23,446,827	23,550,173
Property, plant and equipment	6	1,162,767	1,403,264
Operating lease right-of-use assets		1,664,398	1,941,347
Intangible assets	7	1,389,803	1,607,089
Goodwill	7	2,428,718	2,426,385
Total assets		$ 30,092,513	$ 30,928,258
Liabilities and Equity (Deficiency)			
Current liabilities:			
Trade and other payables		$ 29,832,755	$ 27,051,561
Current portion of operating lease liabilities		339,620	339,620
Loans and borrowings	8	10,208,916	7,538,369
Provisions	9	6,870,815	2,948,340
Liability related to warrants	10	2,508,691	3,156,254
Total current liabilities		49,760,797	41,034,144
Operating lease liabilities		1,887,727	2,017,888
Loans and borrowings, net of current portion	8	16,684,521	15,412,895
Other liability	13(c)	19,000	24,000
Total liabilities		68,352,045	58,488,927
Shareholders' Equity (Deficiency):			
Share capital - without par value (2,009,102 shares issued and outstanding as of September 30, 2023; 300,070 shares issued and outstanding as of March 31, 2023)	11	325,219,444	321,946,102
Warrants	14	6,582,033	6,155,323
Additional paid-in capital		59,222,340	58,138,914
Accumulated other comprehensive loss		(14,884,171)	(14,538,830)
Deficit		(392,845,921)	(383,641,363)
Total deficiency attributable to equity holders of the Company		(16,706,275)	(11,939,854)
Non-controlling interest	12	(21,553,257)	(15,620,815)
Total shareholders' deficiency		(38,259,532)	(27,560,669)
Commitments and contingencies	16		
Subsequent events	18		
Total liabilities and shareholders' deficiency		$ 30,092,513	$ 30,928,258

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board:

/s/ Julie Philips
Julie Philips
Chair of the Board

/s/ Michael Cammarata
Michael Cammarata
President and CEO

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited) (in U.S. dollars)
For the three and six-month periods ended September 30, 2023 and 2022

	Notes	Three-month periods ended September 30, 2023	Three-month periods ended September 30, 2022	Six-month periods ended September 30, 2023	Six-month periods ended September 30, 2022
Revenue from sales net of excise taxes of nil and nil (2022 - $1,600 and $643,476)		$ 8,714,577	$ 11,755,056	$ 19,301,731	$ 27,723,154
Royalty revenues		25,311	218,731	46,998	502,920
Other revenues		—	13,055	18,976	32,996
Total revenues	16	8,739,888	11,986,842	19,367,705	28,259,070
Cost of sales other than impairment loss on inventories		(9,091,439)	(10,878,974)	(18,377,138)	(26,965,552)
Impairment loss on inventories	5	(216,184)	—	(216,184)	(3,079,997)
Total cost of sales		(9,307,623)	(10,878,974)	(18,593,322)	(30,045,549)
Gross profit (loss)		(567,735)	1,107,868	774,383	(1,786,479)
Research and development expenses		(24,675)	(207,598)	(46,539)	(422,285)
Selling, general and administrative expenses		(3,836,411)	(15,907,638)	(15,808,820)	(26,461,372)
Impairment loss related to intangible assets	7	—	(2,593,529)	—	(2,593,529)
Impairment loss on assets held for sale	4	—	(14,530,458)	—	(15,346,119)
Impairment loss related to goodwill	7	—	(7,570,471)	—	(7,570,471)
Net gain on sale of property, plant and equipment		—	—	—	85,002
Loss from operating activities		(4,504,230)	(39,701,826)	(15,156,385)	(54,095,253)
Finance income		—	16	—	1,440
Finance costs		(3,174,627)	(379,007)	(4,967,806)	(1,295,529)
Foreign exchange gain		526,436	4,613,545	342,280	6,020,830
Loss on issuance of derivatives	10	(157,049)	—	(945,034)	(2,126,955)
Gain (loss) on revaluation of derivatives	10	1,972,952	(1,807,890)	5,589,945	7,715,810
Total other income (expense)		(832,288)	2,426,664	19,385	10,315,596
Loss before income taxes		(5,336,518)	(37,275,162)	(15,137,000)	(43,779,657)
Income tax expense		—	(12,530)	—	(12,530)
Net loss		(5,336,518)	(37,287,692)	(15,137,000)	(43,792,187)
Other comprehensive income (loss)					
Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations (tax effect of nil for all periods)		15,004	(3,702,162)	(345,341)	(6,493,641)
Total other comprehensive income (loss)		15,004	(3,702,162)	(345,341)	(6,493,641)
Total comprehensive loss		$ (5,321,514)	$ (40,989,854)	$ (15,482,341)	$ (50,285,828)
Net loss attributable to:					
Equity holders of the Company		$ (890,190)	$ (30,897,458)	$ (9,204,558)	$ (35,181,808)
Non-controlling interest	12	(4,446,328)	(6,390,234)	(5,932,442)	(8,610,379)
Net loss		$ (5,336,518)	$ (37,287,692)	$ (15,137,000)	$ (43,792,187)
Total comprehensive loss attributable to:					
Equity holders of the Company		$ (875,186)	$ (34,599,620)	$ (9,549,899)	$ (41,675,449)
Non-controlling interest	12	(4,446,328)	(6,390,234)	(5,932,442)	(8,610,379)
Total comprehensive loss		$ (5,321,514)	$ (40,989,854)	$ (15,482,341)	$ (50,285,828)
Basic loss per share attributable to:					
Common Shareholders of the Company	14	$ (1.38)	$ (151.17)	$ (17.48)	$ (178.15)
Diluted loss per share attributable to:					
Common Shareholders of the Company	14	$ (1.38)	$ (151.17)	$ (17.48)	$ (178.15)
Basic and diluted weighted average number of common shares	14	646,813	204,388	526,623	197,489

The Company has removed certain captions compared to prior filings, as they are not required by US GAAP.

See accompanying notes to the condensed consolidated interim financial statements.

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited) (in U.S. dollars)
For the three and six-month periods ended September 30, 2023 and 2022

	Notes	Share Capital: Number	Share Capital: Dollars	Warrants	Additional paid-in capital	Accumulated other comprehensive loss: Cumulative translation account	Deficit	Equity attributable to equity holders of the Company	Equity attributable to non-controlling interest	Total
Balance as at March 31, 2023		300,070	$ 321,946,102	$ 6,155,323	$ 58,138,914	$ (14,538,830)	$ (383,641,363)	$ (11,939,854)	$ (15,620,815)	$ (27,560,669)
Net loss for the period		—	—	—	—	—	(9,204,558)	(9,204,558)	(5,932,442)	(15,137,000)
Other comprehensive loss for the period		—	—	—	—	(345,341)	—	(345,341)	—	(345,341)
Total comprehensive loss for the period		—	—	—	—	(345,341)	(9,204,558)	(9,549,899)	(5,932,442)	(15,482,341)

Transaction with equity holders recorded directly in equity										
Contributions by and distribution to equity holders										
Share-based payment	13	—	—	—	1,083,426	—	—	1,083,426	—	1,083,426
Warrants exercised	11(f)	1,348,652	2,269,859	(2,269,163)	—	—	—	696	—	696
Direct Offering (including pre-funded warrants), net of issuance costs	11(h)	360,380	1,003,483	2,695,873	—	—	—	3,699,356	—	3,699,356
Total contributions by and distribution to equity holders		1,709,032	3,273,342	426,710	1,083,426	—	—	4,783,478	—	4,783,478
Balance as at September 30, 2023		2,009,102	$ 325,219,444	$ 6,582,033	$ 59,222,340	$ (14,884,171)	$ (392,845,921)	$ (16,706,275)	$ (21,553,257)	$ (38,259,532)

See accompanying notes to the condensed consolidated interim financial statements.

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Continued)
(Unaudited) (in U.S. dollars)
For the three and six-month periods ended September 30, 2023 and 2022

		Attributable to equity holders of the Company								
		Share Capital				Accumulated other comprehensive loss				
		Number	Dollars	Warrants	Additional paid-in capital	Cumulative translation account	Deficit	Equity attributable to equity holders of the Company	Equity attributable to non-controlling interest	Total
Balance as at June 30, 2023		545,715	$ 323,411,029	$ 6,291,164	$ 58,755,071	$ (14,899,175)	$ (391,955,731)	$ (18,397,642)	$ (17,106,929)	$ (35,504,571)
Net loss for the period		—	—	—	—	—	(890,190)	(890,190)	(4,446,328)	(5,336,518)
Other comprehensive income for the period		—	—	—	—	15,004	—	15,004	—	15,004
Total comprehensive loss for the period		—	—	—	—	15,004	(890,190)	(875,186)	(4,446,328)	(5,321,514)
Transaction with equity holders recorded directly in equity										
Contributions by and distribution to equity holders										
Share-based payment	13	—	—	—	467,269	—	—	467,269	—	467,269
Warrants exercised	11(f)	1,213,387	1,387,984	(1,387,829)	—	—	—	155	—	155
Direct Offering (including pre-funded warrants), net of issuance costs	11(h)	250,000	420,431	1,678,698	—	—	—	2,099,129	—	2,099,129
Total contributions by and distribution to equity holders		1,463,387	1,808,415	290,869	467,269	—	—	2,566,553	—	2,566,553
Balance as at September 30, 2023		2,009,102	$ 325,219,444	$ 6,582,033	$ 59,222,340	$ (14,884,171)	$ (392,845,921)	$ (16,706,275)	$ (21,553,257)	$ (38,259,532)

See accompanying notes to the condensed consolidated interim financial statements.

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Continued)
(Unaudited) (in U.S. dollars)
For the three and six-month periods ended September 30, 2023 and 2022

		Share Capital				Accumulated other comprehensive loss				
	Notes	Number	Dollars	Warrants	Additional paid-in capital	Cumulative translation account	Deficit	Equity attributable to equity holders of the Company	Equity attributable to non-controlling interest	Total
Balance as at March 31, 2022		139,171	$ 317,051,125	$ 6,079,890	$ 55,980,367	$ (7,814,163)	$ (323,181,697)	$ 48,115,522	$ 12,722,077	$ 60,837,599
Net loss for the period		—	—	—	—	—	(35,181,808)	(35,181,808)	(8,610,379)	(43,792,187)
Other comprehensive loss for the period		—	—	—	—	(6,493,641)	—	(6,493,641)	—	(6,493,641)
Total comprehensive loss for the period		—	—	—	—	(6,493,641)	(35,181,808)	(41,675,449)	(8,610,379)	(50,285,828)
Transaction with equity holders recorded directly in equity										
Contributions by and distribution to equity holders										
Share-based payment	13	—	—	—	1,826,983	—	—	1,826,983	—	1,826,983
Common shares and warrants issued in connection with debt financing	8, 11(g)	10,237	645,921	—	—	—	—	645,921	—	645,921
Warrants exercised	11(f)	9,613	1,769,000	—	—	—	—	1,769,000	—	1,769,000
RSUs released, net of withholding taxes	11(d), 13(b)(ii)	5,420	2,303,859	—	(1,501,139)	—	—	802,720	—	802,720
Direct Offering (including pre-funded warrants), net of issuance costs	11(h)	48,640	—	—	—	—	—	—	—	—
Total contributions by and distribution to equity holders		73,910	4,718,780	–	325,844	—	—	5,044,624	—	5,044,624
Balance as at September 30, 2022		213,081	$ 321,769,905	$ 6,079,890	$ 56,306,211	$ (14,307,804)	$ (358,363,505)	$ 11,484,697	$ 4,111,698	$ 15,596,395

See accompanying notes to the condensed consolidated interim financial statements.

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Equity (Continued)
(Unaudited) (in U.S. dollars)
For the three and six-month periods ended September 30, 2023 and 2022

		Attributable to equity holders of the Company								
		Share Capital				Accumulated other comprehensive loss				
		Number	Dollars	Warrants	Additional paid-in capital	Cumulative translation account	Deficit	Equity attributable to equity holders of the Company	Equity attributable to non-controlling interest	Total
Balance as at June 30, 2022		190,510	$ 318,921,917	$ 6,079,890	$ 56,346,589	$ (10,605,642)	$ (327,466,047)	$ 43,276,707	$ 10,501,932	$ 53,778,639
Net loss for the period		—	—	—	—	—	(30,897,458)	(30,897,458)	(6,390,234)	(37,287,692)
Other comprehensive loss for the period		—	—	—	—	(3,702,162)	—	(3,702,162)	—	(3,702,162)
Total comprehensive loss for the period		—	—	—	—	(3,702,162)	(30,897,458)	(34,599,620)	(6,390,234)	(40,989,854)
Transaction with equity holders recorded directly in equity										
Contributions by and distribution to equity holders										
Share-based payment	13	—	—	—	639,883	—	—	639,883	—	639,883
Common shares and warrants issued in connection with debt financing	8, 11(g)	10,237	645,921	—	—	—	—	645,921	—	645,921
Warrants exercised	11(f)	9,613	1,769,000	—	—	—	—	1,769,000	—	1,769,000
RSUs released, net of withholding taxes	11(d), 13(b) (ii)	2,721	433,067	—	(680,261)	—	—	(247,194)	—	(247,194)
Total contributions by and distribution to equity holders		22,571	2,847,988	–	(40,378)	—	—	2,807,610	—	2,807,610
Balance as at September 30, 2022		213,081	$ 321,769,905	$ 6,079,890	$ 56,306,211	$ (14,307,804)	$ (358,363,505)	$ 11,484,697	$ 4,111,698	$ 15,596,395

See accompanying notes to the condensed consolidated interim financial statements.

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited) (in U.S. dollars)
For the three and six-month periods ended September 30, 2023 and 2022

		Six-month periods ended	
	Notes	September 30, 2023	September 30, 2022
Cash flows from operating activities:			
Net loss for the period		$ (15,137,000)	$ (43,792,187)
Adjustments:			
Depreciation of property, plant and equipment		339,239	462,193
Non-cash lease expense		255,270	314,900
Amortization of intangible assets		118,772	952,057
Impairment loss on goodwill	7	—	7,570,471
Share-based payment	13	1,083,426	1,826,983
Impairment loss on inventories	5	216,184	3,079,997
Expected credit losses		62,167	133,685
Loss on issuance of derivatives		945,034	2,126,955
Net finance expense		4,967,806	1,294,089
Unrealized foreign exchange loss		(342,280)	(6,020,830)
Interest received		—	1,440
Interest paid		(719,433)	(44,784)
Revaluation of derivatives		(5,589,945)	(7,715,810)
Impairment loss on assets held for sale	4	—	15,346,119
Impairment loss on right-of-use assets		75,409	—
Impairment loss on intangibles	7	—	2,593,529
Payment of lease liabilities		(135,565)	(227,107)
Income tax expense		—	12,530
Net gain on sale of property, plant and equipment		—	(85,002)
Changes in operating assets and liabilities		9,322,760	8,087,556
Income taxes paid		—	(360)
Net cash used in operating activities		(4,538,156)	(14,083,576)
Cash flows from investing activities:			
Proceeds on sale of assets		—	85,002
Acquisition of property, plant and equipment		(79,208)	(601,743)
Net cash used in investing activities		(79,208)	(516,741)
Cash flows from financing activities:			
Repayment of loans and borrowings		(20,600,891)	—
Net increase in loans and borrowings, net of financing fees		21,506,588	3,250,000
Withholding taxes paid pursuant to the settlement of non-treasury RSUs		—	(260,034)
Gross proceeds from the issuance of shares and warrants through a Direct Offering	10	8,499,845	5,000,002
Shares and warrants issuance costs	10	(1,521,640)	(465,211)
Proceeds from exercise of options and pre-funded warrants	10	696	65
Net cash provided by financing activities		7,884,598	7,524,822
Foreign exchange loss on cash and cash equivalents		(509,927)	(256,243)
Net increase (decrease) in cash and cash equivalents		2,757,307	(7,331,738)
Cash and cash equivalents, beginning of period		1,993,257	8,726,341

Cash and cash equivalents as at September 30, 2023 and 2022	$	4,750,564	$	1,394,603
Cash and cash equivalents is comprised of:				
Cash	$	4,750,564	$	1,394,603

See accompanying notes to the condensed consolidated interim financial statements.

NEPTUNE WELLNESS SOLUTIONS INC.

Condensed Consolidated Interim Statements of Cash Flows (continued)
(Unaudited) (in U.S. dollars)
For the three and six-month periods ended September 30, 2023 and 2022

Additional cash flow disclosure:

Changes in operating assets and liabilities

	Six-month periods ended	
	September 30, 2023	September 30, 2022
Trade and other receivables	$ 2,859,207	$ 2,519,493
Prepaid expenses	(1,029,956)	1,107,312
Inventories	710,084	(1,829,027)
Trade and other payables	2,865,950	1,766,915
Deferred revenues	—	(154,540)
Provisions	3,922,475	4,742,091
Other liabilities	(5,000)	(64,688)
Changes in operating assets and liabilities	$ 9,322,760	$ 8,087,556

1. Reporting entity:

Neptune Wellness Solutions Inc. (the "Company" or "Neptune") is incorporated under the Business Corporations Act (Québec) (formerly Part 1A of the Companies Act (Québec)). The Company is domiciled in Canada and its registered office is located at 100-545 Promenade du Centropolis, Laval, Québec. The condensed consolidated interim financial statements of the Company comprise the Company and its subsidiaries, Biodroga Nutraceuticals Inc. ("Biodroga"), SugarLeaf Labs, Inc. ("SugarLeaf"), 9354-7537 Québec Inc., Neptune Holding USA, Inc., Neptune Health & Wellness Innovation, Inc., Neptune Forest, Inc., Neptune Care, Inc. (formerly known as Neptune Ocean, Inc.), Neptune Growth Ventures, Inc., 9418-1252 Québec Inc., Neptune Wellness Brands Canada, Inc. and Sprout Foods, Inc. (“Sprout”). All subsidiaries are wholly-owned, except for Sprout for which the Company has a 50.1% interest.

Neptune is a diversified and fully integrated health and wellness company. Through its flagship consumer-facing brands, Neptune Wellness, Forest Remedies™, Biodroga, MaxSimil®, Sprout®, Nosh® and NurturMe®, Neptune is redefining health and wellness by building a broad portfolio of natural, plant-based, sustainable and purpose-driven lifestyle brands and consumer packaged goods products in key health and wellness markets, including nutraceuticals and organic baby food.

On June 8, 2022, Neptune announced the launch of a new Consumer Packaged Goods ("CPG") focused strategic plan to reduce costs, improve the Company's path to profitability and enhance current shareholder value. This plan builds on the Company's initial strategic review that took place in fall of 2021 and focuses on two primary actions: (1) the divestiture of the Company's Canadian cannabis business and (2) a realignment of focus and operational resources toward increasing the value of Neptune's CPG business.

Sale of Cannabis Assets

On October 17, 2022, Neptune announced an agreement to sell substantially all of its Cannabis assets (including, but not limited to, the production facility located in Sherbrooke, Québec and certain legal entities including various related brand names and trademarks, including MoodRing and PanHash) to PurCann Pharma Inc. These assets were reported as Assets Held For Sale ("AHFS") as of September 30, 2022. On November 9, 2022, the sale to PurCann Pharma Inc. was completed.

Share consolidations and delisting from TSX

On June 9, 2022, Neptune announced the completion of the Company's first proposed consolidation of its common shares (the "Common Shares") on the basis of one (1) post-consolidation Common Share for every thirty-five (35) pre-consolidation Common Shares (the "First Share Consolidation"). The post-consolidation Common Shares commenced trading on the NASDAQ and the TSX at the market open on June 13, 2022. The First Share Consolidation reduced the number of Common Shares issued and outstanding from approximately 198 million Common Shares to approximately 5.7 million Common Shares as at June 13, 2022. On September 7, 2023, Neptune announced the completion of the Company's second proposed consolidation of its Common Shares on the basis of one (1) post-consolidation Common Share for every forty (40) pre-consolidation Common Shares (the "Second Share Consolidation"). The post-consolidation Common Shares commenced trading on the NASDAQ at the market open on September 8, 2023. The Second Share Consolidation reduced the number of Common Shares issued and outstanding from approximately 24.1 million Common Shares to approximately 0.6 million Common Shares as at September 8, 2023. These consolidated financial statements have been retroactively adjusted to reflect both share consolidations. As a result, the number of common shares, options, deferred share units ("DSUs"), restricted share units ("RSUs"), restricted shares and warrants, issuance and exercise prices of options, DSUs, RSUs, restricted shares and warrants, loss per share reflect the First and Second Share Consolidations.

On July 29, 2022, Neptune announced that it has applied and received approval for a voluntary delisting of its common shares from the Toronto Stock Exchange ("TSX"). The delisting from the TSX will not affect the Company's listing on the Nasdaq Capital Market ("Nasdaq"). Neptune's common shares were delisted from the TSX at the close of trading on August 15, 2022.

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. The Company has incurred significant operating losses and negative cash flows from operations since inception. To date, the Company has financed its operations primarily through the public offering and private placement of Common Share units, consisting of Common Shares and warrants, convertible debt, the proceeds from research grants and research tax credits, and the exercises of warrants, rights and options. For the six-month period ended September 30, 2023, the Company incurred a net loss of $15.1 million and negative cash flows from operations of $4.5 million, and had an accumulated deficit of $392.8 million as of September 30, 2023. For the year ended March 31, 2023, the Company incurred a net loss of $88.8 million and negative cash flows from operations of $28.6 million. Furthermore, as at September 30, 2023, the Company’s trade and other payables exceed its total current assets. Accordingly, the Company is required to actively manage its liquidity and expenses and payments of payables are not being made as the amounts become due. In addition, the Company defaulted on certain conditions of its notes and while the defaults were subsequently waived (see note 8), there is no assurance as to the Company's ability to continue to comply with the terms in fiscal 2024.

As of the date these financial statements are authorized for issuance, there is minimal cash balance. The Company requires funding in the very near term in order to continue its operations. The Company’s lack of cash resources and current share price may adversely affect its ability to raise new capital and execute its business strategy. If the Company is unable to obtain funding in the very near-term, it may have to cease operations and liquidate its assets.

These conditions cast substantial doubt about the Company's ability to continue as a going concern.

Going forward, the Company will seek additional financing in various forms. To achieve the objectives of its business plan, Neptune plans to raise the necessary funds through additional securities offerings and the establishment of strategic alliances. The ability of the Company to complete the needed financing and ultimately achieve profitable operations is dependent on a number of factors outside of the Company’s control and subject to market conditions. The Company’s business plan is dependent upon, among other things, its ability to achieve profitability, continue to obtain adequate ongoing debt and/or equity financing to finance operations within and beyond the next twelve months.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the going concern basis not be valid. These adjustments could be material.

2. Basis of preparation:

(a) Accounting framework:

These condensed consolidated interim financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

(b) Functional and reporting currency:

Effective March 31, 2022, the Company changed its reporting currency from Canadian dollars ("CAD") to U.S. dollars ("USD"). This change in reporting currency has been applied retroactively such that all amounts in the consolidated financial statements of the Company and the accompanying notes thereto are expressed in U.S. dollars. References to "$" and "USD" are U.S dollars and references to "CAD $" and "CAD" are to Canadian dollars. For comparative purposes, historical consolidated financial statements were recast in U.S. dollars by translating (i) assets and liabilities at the closing exchange rate in effect at the end of the respective period, (ii) revenues, expenses and cash flows at the average exchange rate in effect for the respective period and (iii) equity transactions at historical exchange rates. Translation gains and losses are included as part of the cumulative foreign currency translation adjustment, which is reported as a component of shareholders' equity under accumulated other comprehensive loss.

The assets and liabilities of foreign operations with a functional currency other than the U.S. dollar are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the monthly average exchange rates for the period. Differences arising from the exchange rate changes are recorded within foreign currency translation adjustments, a component of other comprehensive income (loss).

Transactions in foreign currencies are translated to the respective functional currencies of the Company's subsidiaries at the average exchange rates for the period. The monetary items denominated in currencies other than the functional currency of a subsidiary are translated at the exchange rates prevailing at the balance sheet date. Non-monetary items denominated in currencies other than the functional currency are translated at historical rates. Gains and losses resulting from re-measurement are recorded in the Company's condensed consolidated interim statement of loss and comprehensive loss as foreign exchange gain (loss).

As a result of the divestiture of its Canadian cannabis business, a significant portion of its remaining revenues, expenses, assets and liabilities are denominated in US dollars. In addition, and as a result of the increasing operations in the U.S., Neptune changed its functional currency from Canadian dollars ("CAD") to U.S. dollars ("USD"), effective October 1, 2022. This change in functional currency has been applied prospectively from the date of the change.

All assets and liabilities were reported using the same USD values as previously reported under the USD reporting currency described above. The cumulative translation account in Neptune was effectively frozen and the accumulated balance as at September 30, 2022 is carried forward. Changes in the cumulative translation account after October 1, 2022 relate to conversion of subsidiary financial statements whose functional currency is not USD. As of October 1, 2022, the 2020 Warrants and 2021 Warrants no longer met the criteria for liability classification as a result of the change in functional currency and therefore were reclassified to equity on this date (see notes 11(f) and 13).

(c) Use of estimates:

The preparation of the condensed consolidated interim financial statements in accordance with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates made by management.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates include the following:

- Estimating the write down of inventory.
- Estimating expected credit losses for receivables.
- Estimating the recoverable amount of non-financial assets, to determine and measure impairment losses on goodwill, intangibles, and property, plant and equipment.
- Estimating the lease term of contracts with extension options and termination options.
- Estimating the revenue from contracts with customers subject to variable consideration.
- Estimating the fair value of bonus, options and warrants that are based on market and non-market conditions (note 13).
- Estimating the fair value of the identifiable assets acquired, liabilities assumed, and consideration transferred of the acquired business, including the related contingent consideration and call option.
- Estimating the litigation provision as it depends upon the outcome of proceedings (note 9).

3. Significant accounting policies:

These unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance U.S. GAAP and on a basis consistent with those accounting principles followed by the Company and disclosed in note 2 of its Annual Consolidated Financial Statements for the year ended March 31, 2023, and should be read in conjunction with and Notes thereto.

(a) Basis of consolidation:

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries in which the Company has a controlling financial interest. All intercompany balances and transactions have been eliminated from the Company's condensed consolidated interim financial statements. On February 10, 2021, Neptune acquired a 50.1% interest in Sprout Foods, Inc. ("Sprout" or "Sprout Foods"). The accounts of the subsidiary are included in the condensed consolidated interim financial statements from that date.

(b) New standards and interpretations:

New standards

In October 2021, the FASB issued an Accounting Standards Update ("ASU"), ASU 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends ASC Topic 805, Business Combinations, ASU 2021-08 improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the (1) recognition of an acquired contract liability and (2) payment terms and their direct effect on subsequent revenue recognized by the acquirer. ASU 2021-08 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2022. The Company has adopted ASU 2021-08 for its fiscal year beginning April 1, 2023, and the Company's evaluation of the impact of this adoption was immaterial on the condensed consolidated interim financial statements presented.

In June 2016, the FASB issued ASU 2016-13, Financial instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which amends the guidance on the impairment of financial instruments by requiring measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, and earlier adoption is permitted beginning in the first quarter of fiscal 2019. In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates ("ASU 2019-10"). The purpose of this amendment is to create a two-tier rollout of major updates, staggering the effective dates between larger public companies and all other entities. This granted certain classes of companies, including Smaller Reporting Companies ("SRCs"), additional time to implement major FASB standards, including ASU 2016-13. Larger public companies will still have an effective date for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities are permitted to defer adoption of ASU 2016-13, and its related amendments, until the earlier of fiscal periods beginning after December 15, 2022. The Company has adopted ASU 2016-13 for its fiscal year beginning April 1, 2023, and the Company's evaluation of the impact of adoption was immaterial on the condensed consolidated interim financial statements presented.

Accounting pronouncements not yet adopted

No new accounting pronouncements were issued in 2023 that were deemed to be material or potentially material to the Company and its financial reporting.

4. Business combination and disposal:

(a) Divesture of the Cannabis assets:

On June 8, 2022, the Company announced a planned divestiture of the Canadian cannabis business and that the Company would focus on winding up its cannabis operations pending one or more sales transactions. Following this announcement, the Canadian cannabis disposal group assets met the criteria to be classified as held for sale. At September 30, 2022, the disposal group had been measured at fair value less cost to sell and impaired to reflect the asset sale and purchase agreement (the "ASPA") signed with a third-party on October 16, 2022 for $3,790,340 ($5,150,000 CAD), with cost to sell the Canadian cannabis disposal group asset in the amount of $586,783, for net assets held for sale of $3,203,557, resulting in an impairment loss of $15,346,119 for the year ended March 31, 2023.

The transaction closed on November 9, 2022.

(b) Acquisition of a controlling interest in Sprout Foods:

On February 10, 2021, Neptune acquired a 50.1% equity interest in Sprout Foods, Inc. (“Sprout” or “Sprout Foods”).

Sprout’s other equity interest owners granted Neptune a call option (the "Call Option") to purchase the remaining 49.9% outstanding equity interests of Sprout, at any time beginning on January 1, 2023 and ending on December 31, 2023. The total consideration payable for the additional shares (“Call Shares”) upon the exercise of the Call Option and the closing of Neptune's acquisition of the Call Shares would be equal to the total equity value of the Call Shares, which would be based upon the applicable percentage acquired by Neptune of the total enterprise value for Sprout.

As at the close of the transaction, the value of the asset related to the Call Option was determined to be $5,523,255, representing the difference between the market price and the contract value of the Call Option, discounted at a rate of 8.9% and assuming the transaction would take place on January 1, 2023. To establish the market price, the multiples selected were 2.3x for revenues and 12.0x for EBITDA, based on analysis of average and median industry multiples, and were adjusted to consider a 20% discount; the multiples to be used as per the contract are 3.0x for revenues and 15.0x for EBITDA, weighted at 50%. As at March 31, 2022, the fair value of the asset was remeasured to $nil, generating a loss on re-measurement of $5,598,198 accounted under revaluation of derivatives for the year ended on that date. As at September 30, 2023, the fair value of the asset remains $nil.

On September 18, 2023, the Company announced that the Board of Directors has approved a plan to proceed with a spinout to Neptune shareholders of a majority of its equity interest in Sprout. Upon completion of the spinout, which would follow the previously announced exchange by Neptune of existing Sprout debt for Sprout equity, pursuant to the term sheet entered into with Morgan Stanley as previously announced on August 17, 2023 (see note 8), it is anticipated that Neptune would spin out a majority of its equity interest in Sprout to current Neptune shareholders, and Neptune would keep a retained interest of approximately 10-15%. The completion of the proposed spinout transaction and contemplated distribution of Sprout shares to Neptune shareholders are subject to a number of conditions, including the completion of legal and tax structuring analyses, completion of financial analysis, determination of the structure of Sprout, determination of final details of the transaction, settlement of the board and management team for Sprout, required regulatory approvals, any required shareholder approval, and the listing of the Sprout shares on a stock exchange. There is no certainty that the foregoing conditions will be satisfied or that the spinout transaction will be completed on the terms proposed or at all. The Board of Neptune may determine to not proceed with the transaction should there be a change in market conditions or investor interest or should another opportunity arise, that would be deemed to better enhance value to Neptune stakeholders. As a result, the proposed transaction is not reflected in these unaudited Condensed Consolidated Interim Financial Statements.

5. Inventories:

	September 30, 2023	March 31, 2023
Raw materials	$ 4,979,067	$ 5,314,450
Finished goods	6,634,334	7,360,850
Supplies and spare parts	350,970	330,774
	$ 12,060,951	$ 13,006,074

During the three and six-month periods ended September 30, 2023, the Company recorded impairment losses of $216,184 and $ 216,184 respectively (2022 – $ nil and $3,079,997) as a result of inventory measurements to their net realizable value. The impairment losses during the six-month period ended September 30, 2022 related to certain Cannabis inventories sold or returned for higher than impaired values and the impairment loss during the six-month period ended September 30, 2022 are related Cannabis inventories that were sold during the periods at lower than costs or that are not expected to be realized.

6. Property, plant and equipment:

As at September 30, 2022, property, plant and equipment in the amount of $3,203,557 related to the Canadian cannabis asset group were classified as assets held for sale on the balance sheet; the rest of the Cannabis related assets were written down, resulting in impairment losses of $14,530,458 and $15,346,119 respectively for the three and six-month periods ended September 30, 2022.

7. Goodwill and intangible assets:

The Company assesses at each reporting date whether there is an indication that an asset group or a reporting unit may be impaired.

During the fourth quarter of year ended March 31, 2023, the Company performed an annual impairment testing of the Sprout goodwill. The Company compared the carrying amount of the reporting unit to the fair value. The fair value of the Sprout reporting unit was determined to be lower than the carrying value and a $11,971,965 goodwill impairment loss was recorded in the fourth quarter of the year ended March 31, 2023, resulting in no goodwill remaining. The fair value of the reporting unit was estimated using a discounted cash flow model with a WACC pre-tax discount rate of 11.6%. The discount rate represents the WACC for comparable companies operating in similar industries as the reporting unit, based on publicly available information. Determination of the WACC requires separate analysis of the cost of equity and debt and considers a risk premium based on an assessment of risks related to the projected cash flows of the reporting unit. During the fourth quarter of the year ended March 31, 2023, all of the trademark intangible assets on Sprouts books were also impaired, which resulted in an impairment of $15,385,531. These impairments were mostly due to revised expected cash inflows based on the Company's latest projections.

During the third quarter of the year ended March 31, 2023, due to the Company’s sustained decrease in share price, the Company concluded a triggering event occurred and performed a quantitative impairment test for the Sprout reporting unit. Based on the results of the Company’s third quarter impairment analysis, the estimated fair value of the Sprout reporting unit exceeded its carrying value, and no impairment was recognized.

During the second quarter of year ended March 31, 2023, there were changes in the general economic and financial conditions of the markets the Company serves. The Company's Sprout reporting unit was adversely impacted during the second quarter of 2022 by these conditions, which impacted the operating results. Accordingly, management concluded that these factors were indicators of impairment. As a result, management performed an impairment test for the Sprout reporting unit, for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing at September 30, 2022. The Company compared the carrying amount of the reporting unit to the fair value. The fair value of the Sprout reporting unit was determined to be lower than the carrying value and a $7,570,471 goodwill impairment loss was recorded in the quarter ended September 30, 2022. Due to the impairment losses recorded in this quarter, there is no headroom between the fair value of the reporting unit and its carrying value and therefore, changes in assumptions in future periods may result in additional impairment charges. The Company also identified a trigger or impairment related to its intangible assets and recorded an impairment of $2,593,529 for the Sprout trademarks. The fair value was determined using a relief from royalty model.

As part of the impairment testing process, during the above periods in fiscal 2023, the Company considered a number of factors including, but not limited to, current macroeconomic conditions such as inflation, economic growth, and interest rate movements, industry and market considerations, stock price performance (including performance relative to peers) and overall financial performance of the Sprout reporting unit. Although management used its best estimate to assess the potential impact of the changes in the general economic conditions on the Company's business, management exercised significant judgment to estimate forecasted cash flows and discount rate, using assumptions which are subject to significant uncertainties. For trademarks, the fair value was determined using a relief from royalty model, for which the rate used is a significant assumption.

Cash flows were projected based on past experience, actual operating results and the three-year business plan including a terminal growth rate of 2.5%. The most significant assumptions used to estimate the fair values using a discounted cash flow model included the forecasted revenue, gross margins, net working capital investment, terminal value as well as the discount rate. These significant assumptions are classified as Level 3 in the fair value hierarchy, signifying that they are not based on observable market data. A decrease in the projected cash flow or an increase in discount rate could have resulted in a higher impairment charge.

There was no change to the fair value of the Biodroga goodwill, aside from currency translation induced changes.

The aggregate amount of goodwill is allocated to each reporting unit as follows:

	September 30, 2023	March 31, 2023
Biodroga	$ 2,428,718	$ 2,426,385
	$ 2,428,718	$ 2,426,385

8. Loans and borrowings:

	September 30, 2023	March 31, 2023
Loans and borrowings:		
Promissory note originally of $10,000,000 and increased to $13,000,000 on July 13, 2022, issued by Sprout, to Morgan Stanley Expansion Capital ("Morgan Stanley" or "MSEC"), guaranteed by the Company and secured through a first-ranking mortgage on all movable current and future, corporeal and incorporeal, and tangible and intangible assets of Sprout. The outstanding principal balance bears interest at the rate of 10.0% per annum, increasing by 1.00% every three months commencing September 30, 2022. Interest is compounded and is accrued and added to the principal amount of the loan and is presented net of borrowing costs. The principal and accrued interest may also be converted, in whole or in part, at any time before February 1, 2024, upon the mutual consent of Sprout, the Company and MSEC, into common shares of the Company. In connection with the increase of $3,000,000 of the promissory note, MSEC was issued 9,317 common shares of Neptune of a value of $570,185. On April 27, 2023, the note maturity has been extended from February 1, 2024 to December 31, 2024, which will bear interest at the rate of 15.0% per annum to December 31, 2023, payable in kind, and 10.0% per annum, payable in kind, and 5.0% per annum payable in cash, from and after January 1, 2024.	$ 17,400,626	$ 15,622,508
Promissory note of $250,000 issued by Sprout on August 26, 2022, guaranteed by the Company and secured by the issued and outstanding capital stock of Sprout. The outstanding principal balance bears interest at the rate of 10.0% per annum, increasing by 1.00% every three months commencing September 30, 2022. Interest is accrued and added to the principal amount of the loan and is presented net of borrowing costs. The principal is payable on February 1, 2024 in cash, or, upon the prior consent of the holder, fully or partially in common shares of Neptune at the Company's discretion. Neptune issued 920 common shares for a value of $75,736 in connection with this promissory note.	264,443	218,517
Promissory notes totaling $550,000 issued by Sprout on November 8, 2022, guaranteed by the Company and secured by the issued and outstanding capital stock of Sprout. The outstanding principal balance bears interest at the rate of 10.0% per annum, increasing by 1.00% every three months commencing December 31, 2022. Interest is accrued and added to the principal amount of the loan and is presented net of borrowing costs. The principal is payable on February 1, 2024 in cash, or, upon the prior consent of the holder, fully or partially in common shares of Neptune at the Company's discretion. Neptune issued 3,659 common shares for a value of $96,578 in connection with these promissory notes.	578,288	496,061
Senior secured notes (the "Notes") issued by the Company on January 12, 2023 for gross proceeds of $4,000,000 pursuant to the Note Purchase Agreement with CCUR Holdings, Inc. ("Collateral Agent") and the purchasers named therein. The Notes will mature 12 months from the initial closing and bear interest at a rate of 16.5% per annum. The Notes are secured by the assets of Neptune excluding the assets of Sprout. Interest will be payable in kind on the first 6 monthly payment dates after the initial closing date and thereafter will be payable in cash. The lender has the right to demand immediate repayment in the event of default of certain covenants. The Company defaulted on certain conditions of the Notes and entered into Waiver and First Amendment to the Notes (the "Waiver Agreement") on March 9, 2023. The Waiver Agreement waived certain administrative, regulatory and financial statement related covenants and the Notes were amended to provide that the Purchasers shall be paid an exit fee in the aggregate amount of $200,000, payable as follows: (i) on or prior to May 15, 2023, $100,000 and (ii) on the Maturity Date (as defined in the Note Purchase Agreement), $100,000. The interest rate was also increased to 24% for a period extending until the Company meets specified criteria in the Waiver Agreement which occurred on March 21, 2023. Amongst other covenants, the Notes require timely filling of financial statements. Debt issuance costs totaling $713,320 were capitalized to this loan, including the issuance by Neptune of 850,000 January 2023 Warrants of a value of $338,320.	2,346,449	3,607,116
Accounts receivable factoring facility contracted by Sprout on January 25, 2023, to which an inventory financing through an Invoice Purchase and Security Agreement partnership with Alterna Capital Solutions LLC, was added effective April 21, 2023. The maximum available has been amended to $7.5 million, from $5.0 million previously announced on January 25, 2023. The terms of the agreement include a Funds Usage Fee of prime plus 1% with a minimum interest rate of 8% per annum. The lender was granted a security interest in Sprout's accounts receivable and inventory. The agreement will remain in effect for a 12-month period, effective January 23, 2023, and will be eligible for renewal. Neptune guaranteed the obligations of Sprout in connection with this agreement.	6,008,635	2,762,110
Promissory note of $300,000 issued by Sprout on March 11, 2023, guaranteed by the Company and secured by the issued and outstanding capital stock of Sprout. The outstanding principal balance bears interest at the rate of 10.0% per annum, increasing by 1.00% every three months commencing March 31, 2023. Interest is accrued and added to the principal amount of the loan and is presented net of borrowing costs. The principal is payable on February 1, 2024 in cash, or, upon the prior consent of the holder, fully or partially in common shares of Neptune at the Company's discretion. Neptune issued 111,111 warrants exercisable at a price of $0.54 in connection with this promissory note. The fair value of these warrants was $37,723 (refer to note 14(f)).	294,996	244,952
Total loans and borrowings	26,893,437	22,951,264
Less current portion of loans and borrowings	10,208,916	7,538,369
Long-term portion of loans and borrowings	$ 16,684,521	$ 15,412,895

On October 13, 2023, the Company announced that it had prepaid in full its senior secured notes with CCUR Holdings, Inc. and Symbolic Logic, Inc., after a payment of approximately $2.3 million. The senior secured notes had an original principal amount of $4 million and bore a fixed interest rate of 16.5% per annum.

On August 17, 2023, Neptune announced entering into a binding term sheet with NH Expansion Credit Fund Holdings L.P. ("Morgan Stanley" or "MSEC") for the Company's organic baby and toddler food brand, Sprout Organics, providing Neptune with an option to exchange its existing Sprout debt for Sprout equity, on or prior to November 13, 2023 (the "Exchange"), resulting in Neptune ownership of approximately 89.5% of Sprout. The Exchange would substantially reduce Sprout's debt. The Exchange is subject to the execution of definitive agreements and receipt of required consents. The term sheet further provides for amendments to remaining Sprout promissory notes in the event that the Exchange is consummated, including that such promissory notes would have their maturity date extended to June 30, 2025 and the termination of the guarantee currently provided by the Company. The term sheet further specifies certain terms governing a transaction that, if consummated, would result in Sprout becoming an independent trading entity (see note 4(b)). There can be no assurances that such a transaction will be consummated, but the Exchange was completed on November 8, 2023.

On May 22, 2023, the Company entered into a Waiver and Second Amendment to Note Purchase Agreement (the "Waiver Agreement"), with CCUR Holdings, Inc. and the purchasers named therein, related to the Note Purchase Agreement dated as of January 12, 2023. The Waiver Agreement provides that the required prepayment of $2.0 million (the "Mandatory Prepayment"), due as of May 15, 2023, is waived, in part, until July 31, 2023, or for an additional thirty days thereafter if the Company has filed a Registration on Form S-1 with the Securities and Exchange Commission by July 31, 2023. Pursuant to the Waiver Agreement, the Company was required to pay, and has paid, $1.0 million of the Mandatory Prepayment. For the period beginning on March 31, 2023, through and including the date that the entire Mandatory Prepayment, including interest and fees is paid, interest on the sum of the outstanding principal amounts will accrue at the rate of twenty four percent (24%) per annum. Thereafter, interest will revert to the rate otherwise provided under the Note Purchase Agreement. The Company also agreed to pay an extension fee in an aggregate amount of $138,606, which was added to the principal amount due. The $1.0 million payment was made with interest and the extension fee on August 22, 2023.

On May 10, 2023, Neptune announced that Sprout has secured inventory financing through an Invoice Purchase and Security Agreement partnership with Alterna Capital Solutions LLC, effective April 21, 2023. The maximum available has been amended to $7.5 million, from $5.0 million previously announced on January 25, 2023, adding a line of inventory to the accounts receivable factoring facility that is already in place.

On April 27, 2023, the Company announced that Sprout extended the maturity of its existing $13 million secured promissory note with MSEC. The note maturity has been extended from February 1, 2024 to December 31, 2024, which will bear interest at the rate of 15.0% per annum through and including December 31, 2023, payable in kind, and 10.0% per annum, payable in kind, and 5.0% per annum payable in cash, from and after January 1, 2024.

During the three and six-month periods ended September 30, 2023, interest expense of $1,273,477 and $3,240,558 respectively were recognized on loans and borrowings (2022 - $224,632 and $474,632). In addition there were respectively $177,474 and $376,746 in factoring fees and exit fees of nil and $138,606 for the three and six-month periods ended September 30, 2023 with no corresponding amounts in the same period for 2022.

9. Provisions

(a) During the year ended March 31, 2019, the Company received a judgment from the Superior Court of Québec (the “Court”) in respect of certain royalty payments alleged to be owed and owing to a former chief executive officer of the Company (the “Former CEO”) pursuant to the terms of an agreement entered into on February 23, 2001 between Neptune and the Former CEO (the “Royalty Agreement”). The Company appealed the judgment which was dismissed by the Court of Appeal of Québec in February 2021. Under the terms of the Royalty Agreement and as maintained by the court, annual royalties of 1% of the sales and other revenue made by the Company on a consolidated basis are payable by the Company to the Former CEO biannually, but only to the extent that the cost of the royalty would not cause the Company to have a loss before interest, taxes and amortization (in which case, the payments would be deferred to the following fiscal year).

As of September 30, 2023, a provision of $ 1,213,954 (March 31, 2023 - $ 963,808) has been recorded by the Company. During the three and six-month periods ended September 30, 2023, the Company increased the provision by $186,050 and $250,146 respectively, and made no payments to the Former CEO in relation to this provision. During the three and six-month periods ended September 30, 2022, the Company increased the provision by respectively $90,625 and $216,829, recorded foreign currency translation adjustments of $(35,993) and $(47,024), and made no payments to the Former CEO in relation to this provision.

Effective as of September 20, 2022, the Company notified the Former CEO that it was exercising its legal rights to terminate the Royalty Agreement. In response to such termination, the Former CEO is seeking a declaratory judgment that the Company did not have the legal right to terminate the Royalty Agreement.

(b) In September 2020, Neptune submitted a claim and demand for arbitration against Peter M. Galloway and PMGSL Holdings, LLC (collectively “PMGSL”) in accordance with the SugarLeaf Asset Purchase Agreement (“APA”) dated May 9, 2019, between Neptune, PMGSL, Peter M. Galloway and Neptune Holding USA, Inc. Separately, PMGSL submitted a claim and demand for arbitration against Neptune. The Neptune claims and PMGSL claims have been consolidated into a single arbitration and each are related to the purchase by Neptune of substantially all of the assets of the predecessor entities of PMGSL Holdings, LLC. Neptune is claiming, among other things, breach of contract and negligent misrepresentation by PMGSL in connection with the APA and is seeking, among other things, equitable restitution and any and all damages recoverable under law. PMGSL is claiming, among other things, breach of contract by Neptune and is seeking, among other things, payment of certain compensation contemplated by the APA. A merit hearing in the arbitration started in April 2022 with a further week of testimony from August 1 to August 5, 2022. On June 15, 2022, a one-day hearing took place on Neptune's motion to enforce a settlement agreement reached on April 2021 (which was repudiated by PMGSL in June 2021). Following oral argument on July 7, 2022, that motion was denied and a fee award of approximately $68,000 was entered against Neptune. On April 13, 2023, PMGSL filed a lawsuit in Florida Superior Court to collect that fee award. Neptune disputes the Florida Court’s jurisdiction in over that action. On August 23, 2023, an arbitrator awarded PMGSL $2.2 million as well as certain attorneys' fees and expenses, totaling in the aggregate approximately $4.0 million, which includes pre-award interest. While the arbitrator dismissed PMGSL’s primary claim seeking damages in the high eight figures, the arbitrator found that Neptune failed to provide administrative assistance in removing legends on common shares issued to PMGSL and failed to pay severance to Peter Galloway upon his termination from the Company. Neptune’s claims against PMGSL were dismissed. The award was required to be paid by the Company by September 29, 2023, and if unpaid will accrue post-award interest at 10.5% per annum simple interest until payment. The award was made pursuant to a binding arbitration arising from a previously disclosed dispute under the Asset Purchase Agreement between the Company and PMGSL in connection with the Company's acquisition of SugarLeaf Labs, Inc. The Company strongly disagrees with this award; Neptune has not made any payment toward this award and intends to challenge the validity of the award in federal court. Based on currently available information, a provision of $4,000,000 and $600,000 has been recognized for this case as of September 30, 2023 and March 31, 2023, respectively.

(c) A supplier of cannabis initiated a lawsuit against the Company's subsidiary, 9354-7537 Quebec Inc., ("9354") for breach of a Wholesale Cannabis Supply Agreement (the "Supply Agreement") for the purchase of cannabis trim. The purchased trim was rejected by 9354 due to quality concerns. The supplier refused to refund the purchase price and ultimately sued 9354 for breach of the Supply Agreement. The matter proceeded to trial in November 2021, and on March 23, 2022, an arbitrator entered an arbitration award against 9354 for the full purchase price of the trim. With fees and costs, the final arbitrator's award entered against 9354 was $1,127,024, plus applicable interest. During the quarter ended June 30, 2022, the parties engaged into settlement negotiations which resulted in the execution of a settlement agreement dated July 13, 2022. As at June 30, 2022, the payable was revised to the settlement amount of $543,774 which resulted in the recognition of a settlement gain of $583,430 under Selling, general and administrative expenses for the three-month period ended June 30, 2022. During the year ended March 31, 2023, the Company made aggregate payments of $515,464 to the supplier and recorded foreign currency translation adjustments of $(63,381). The Company made the final payment on October 12, 2022. This provision was included in trade and other payables. As at September 30, 2023, the balance of this payable was $nil.

(d) On March 16, 2021, a purported shareholder class action was filed in United States District Court for the Eastern District of New York against the Company and certain of its current and former officers alleging violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934, with respect to the Company's acquisition of SugarLeaf Labs, Inc. On October 21, 2022, the Company announced that it had agreed to settle and resolve the purported shareholder class action for a gross payment to the class of between $4 and $4.25 million, with the exact amount being within the Company's control and dependent on the type of consideration used. The settlement was subject to court approval and certification by the court of the class. On March 16, 2023 the settlement offer was accepted and the first payment in the amount of $500,000 was paid on March 22, 2023. Two additional payments of $500,000 each were subsequently made, on April 21, 2023, and May 4, 2023. As at September 30, 2023, the $2,750,000 balance of the settlement is included in trade and other payables. Neptune paid the balance of the settlement in securities, by issuing 2,522,936 common shares worth an aggregate of $2,750,000 on October 10, 2023.

(e) As at September 30, 2023, the Company has various additional other provisions for legal fees obligations for an aggregate amount of $1,656,861 (March 31, 2023 – $1,384,532).

10. Liability related to warrants:

The Company has issued common shares, pre-funded warrants and warrants as part of its financing arrangements which are exercisable for a variable number of shares. Common shares and pre-funded warrants are classified as equity. Warrants are classified as liabilities rather than equity. As of October 1, 2022, as a result of the change in functional currency of Neptune, the 2020 Warrants and 2021 Warrants no longer met the criteria for liability classification and therefore were reclassified as equity prospectively (see note11(f)).

On September 21, 2023, the Company announced its public offering ("September 2023 Direct Offering") of 1,800,000 of its common shares (or common share equivalents in lieu thereof) and accompanying warrants to purchase up to an aggregate of 1,800,000 common shares at a combined public offering price of $2.50 per share and accompanying warrant, resulting in gross proceeds of approximately $4.5 million. The warrants have an exercise price of $2.50 per share, are immediately exercisable upon issuance and will expire five years following the date of issuance. The closing of the offering occurred on September 26, 2023. On that day, the Company issued 250,000 common shares and 1,550,000 pre-funded warrants, along with 1,800,000 warrants (the "September 2023 Warrants"). As of September 30, 2023, 1,156,000 common shares were issued upon exercise of pre-funded warrants, leaving 394,000 pre-funded warrants outstanding; none of the September 2023 Warrants have been exercised to date.

Proceeds of the $4,500,000 September 2023 Direct Offering were allocated between common shares and warrants first by allocating proceeds to the warrants classified as a liability based on their fair value and then allocating the residual to the equity instruments, which includes the Pre-Funded Warrants. The fair value of the liability-classified warrants was determined using the Binomial model, resulting in an initial warrant liability of $1,972,101 for the September 2023 Warrants. The Pre-Funded Warrants were also valued using the Binomial model, resulting in $2,021,466 relative fair value recorded under equity, and by difference, $506,278 was allocated to the Common Shares. The Company is in need of financing to be able to continue its activities as described in note 1. Certain Pre-Funded Warrants were exercised in part during the three-month period ended September 30, 2023 for gross proceeds of $116. Total issue costs related to this direct offering were of $763,012, of which $85,847 were recorded under common stock, $342,768 were recorded under equity warrants and $334,397 were recorded under finance costs.

In connection with the offering closed on September 26, 2023, the Company has agreed that certain existing warrants to purchase up to an aggregate of 478,132 common shares that were previously issued in October 2020, February 2021, March 2022, June 2022, October 2022 and May 2023, at exercise prices ranging from $13.20 to $3,150 per share with expiration dates ranging from October 22, 2025 to June 23, 2029, were amended effective upon the closing of the offering, to reduce the exercise prices of the applicable warrants to $2.50, with expiration dates five years following the closing of the offering, with the exception of warrants to purchase up to 24,320 common shares which will expire on June 23, 2029.

On May 11, 2023, the Company announced its public offering ("May 2023 Direct Offering") of 303,032 of its common shares (or common share equivalents in lieu thereof) and accompanying warrants to purchase up to an aggregate of 303,032 common shares at a combined public offering price of $13.20 per share and accompanying warrant, resulting in gross proceeds of approximately $4.0 million. The warrants had an exercise price of $13.20 per share, are immediately exercisable upon issuance and will expire five years following the date of issuance. The closing of the offering occurred on May 15, 2023. On that day, the Company issued 110,380 common shares and 192,652 pre-funded warrants, along with 303,032 warrants (the "May 2023 Warrants"). On September 26, 2023, the exercise price was amended to $2.50 per share and the expiry date was amended to September 26, 2028. As of September 30, 2023, 192,652 common shares were issued upon exercise of pre-funded warrants, leaving no pre-funded warrants outstanding; none of the May 2023 Warrants have been exercised to date.

Proceeds of the $4,000,000 May 2023 Direct Offering were allocated between common shares and warrants first by allocating proceeds to the warrants classified as a liability based on their fair value and then allocating the residual to the equity instruments, which includes the Pre-Funded Warrants. The fair value of the liability-classified warrants was determined using the Binomial model, resulting in an initial warrant liability of $2,025,247 for the May 2023 Warrants. The Pre-Funded Warrants were also valued using the Binomial model, resulting in $1,255,240 relative fair value recorded under equity, and by difference, $719,513 was allocated to the Common Shares. The Company is in need of financing to be able to continue its activities as described in note 1. Certain Pre-Funded Warrants were exercised in part during the three-month period ended September 30, 2023 for gross proceeds of $541. Total issue costs related to this direct offering were of $758,628, of which $136,461 were recorded under common stock, $238,065 were recorded under equity warrants and $384,102 were recorded under finance costs.

In connection with the offering closed on May 15, 2023, the Company has agreed that certain existing warrants to purchase up to an aggregate of 210,597 common shares that were previously issued in March 2022, June 2022, and October 2022, at exercise prices ranging from $64.80 to $448.00 per share and expiration dates ranging from September 14, 2023 to June 23, 2029, will be amended effective upon the closing of the offering, to reduce the exercise prices of the applicable warrants to $13.20, with expiration dates five years following the closing of the offering, with the exception of Series C Warrants to purchase up to 24,320 common shares which will expire on June 23, 2029 as currently contemplated. This amendment resulted in a loss of $787,985 on remeasurement of warrant liabilities in the first quarter of fiscal 2024.

On January 12, 2023, Neptune closed on a senior secured notes financing (such notes, the "Notes") for gross proceeds of $4,000,000 with CCUR Holdings, Inc. and Symbolic Logic, Inc. (collectively, the "Noteholders"). Pursuant to the terms of the Notes, the Company also issued to the Noteholders warrants ("January 2023 Warrants") to purchase an aggregate of 21,250 shares of Neptune common stock, with each warrant exercisable for 5 years following the initial issuance at a price of $21.20 per common share. Based on the fair value of the warrants as at the date of closing, which was determined using a Binomial model, the Company recorded the full proceeds to liabilities, with an initial liability related to warrants of $338,320 for a fair value of the senior notes of $3,661,680.

On October 11, 2022, the Company closed a registered direct offering ("October 2022 Direct Offering") of 80,214 of its Common Shares and warrants ("Series E Warrants") to purchase up to 160,428 Common Shares in the concurrent Private Placement. The combined purchase price for one Common Share and one warrant was $74.80. The Series E Warrants have an exercise price of $64.80 per Common Share, are exercisable immediately following the date of issuance and will expire five years from the date of issuance. The Company received gross proceeds of $6,000,002 and net proceeds of $5,135,002 after deducting the placement agent fees and expenses, and the Company's offering expenses. Based on the fair value of the warrants as at the date of closing, which was determined using a Black-Scholes model, the Company recorded the full proceeds to liabilities, with an initial liability of $7,029,614 and a loss on initial recognition of $1,029,614. Because the fair value of the liability classified warrant exceeded the total proceeds, no consideration was allocated to the Common Shares. Total issue costs related to this offering of $865,000 were recorded under finance costs. On May 15, 2023, the exercise price of 106,952 Series E Warrants was amended to $13.20 and on September 26, 2023, the exercise price of all Series E Warrants was amended to $2.50 per share and the expiry date was amended to September 26, 2028.

As of October 1, 2022, as a result of the change in functional currency of Neptune, the 2020 Warrants and 2021 Warrants no longer met the criteria for liability classification and therefore were reclassified as equity prospectively. The reclassification did not impact the net earnings for the period.

On June 23, 2022, Neptune issued a total of 16,140 pre-funded warrants ("Pre-Funded Warrants"), along with 32,500 common shares of the Company, as part of a registered direct offering ("June 2022 Direct Offering"). Each Pre-Funded Warrant was exercisable for one Common Share. The common shares and the Pre-Funded Warrants were sold together with 48,640 Series C Warrants (the "Series C Warrants"), and 48,640 Series D Warrants (the "Series D Warrants") and collectively, the "June 2022 Common Warrants". Each of the June 2022 Common Warrants is exercisable for one common share. Each of the common share and Pre-Funded Warrants and the accompanying June 2022 Common Warrants were sold together at a combined offering price of $102.80, for aggregate gross proceeds of $5,000,002 before deducting fees and other estimated offering expenses. The Pre-Funded Warrants are funded in full at closing except for a nominal exercise price of $0.004 and are exercisable commencing on the Closing Date and will terminate when such Pre-Funded Warrants are exercised in full. When issued, the Series C Warrants and the Series D Warrants had an exercise price of $92.80 per share and can be exercised for a period of 5 years and 2 years respectively from the date of issuance. On October 6, 2022, the Company agreed to extend the termination date of 24,320 Series C Warrants by two years. On May 15, 2023, the exercise price of the Series C Warrants and Series D Warrants was amended to $13.20 and was further amended to $2.50 on September 26, 2023, on which date the expiry date was also amended to September 26, 2028, except for the 24,320 Series C Warrants expiring on June 23, 2029, as amended on October 6, 2022.

Proceeds of the June 2022 Direct Offering were allocated between common shares and warrants first by allocating proceeds to the warrants classified as a liability based on their fair value and then allocating the residual to the equity instruments, which includes the Pre-Funded Warrants. The fair value of the liability-classified warrants was determined using the Black-Scholes model, resulting in an initial warrant liability of $4,046,836 for the Series C Warrants and $3,080,121 for the Series D Warrants. Because the fair value of the liability classified warrant exceeded the total proceeds, no consideration was allocated to the Common Shares and Pre-Funded Warrants and a loss $2,126,955 was immediately recognized in the net loss of the period as there were no additional rights or privileges identified. The Pre-Funded Warrants were exercised in full on June 24, 2022, for gross proceeds of $65. Total issue costs related to this private placement of $465,211, were recorded under finance costs. In addition to the issuance cost specific to the direct offering, the Company incurred legal fees in connection with all financing arrangements in the year ended March 31, 2023 which amounted to $170,739.

During the month of August 2022, a total of 5,031 Series C Warrants and 24,320 Series D Warrants were exercised at $92.80 each in cashless transactions, which resulted in an aggregate total of 9,613 shares being issued for an aggregate value of $1,769,000.

The fair value of the Series C Warrants and Series D Warrants liability was determined using the Binomial model. Warrants are revalued each period-end at fair value and accounted for in the Company's condensed consolidated interim statement of loss and comprehensive loss under "gain on revaluation of derivatives".

Changes in the value of the liability related to the warrants for the six-month periods ended September 30, 2023 and 2022 were as follows:

	Warrants		Amount
Outstanding as at March 31, 2022	48,151	$	12,697,487
Warrants issued during the period	97,280		–
Warrants exercised during the period	(29,351)		(1,769,000)
Net revaluation gain			(7,715,810)
Movements in exchange rates			(392,652)
Outstanding as at September 30, 2022	116,080	$	2,820,025
Outstanding as at March 31, 2023	285,325	$	3,156,254
Warrants issued during the period	2,103,034		3,997,348
Net revaluation gain			(4,644,911)
Outstanding as at September 30, 2023	2,388,359	$	2,508,691

The following table provides the relevant information on the outstanding warrants as at September 30, 2023:

Reference	Date of issuance	Number of warrants outstanding	Number of warrants exercisable	Exercise price	Expiry date
Series A Warrants	March 14, 2022	17,858	17,858	$ 2.50	September 26, 2028
Series B Warrants	March 14, 2022	17,858	17,858	$ 2.50	September 26, 2028
Series C Warrants	June 23, 2022	19,289	19,289	$ 2.50	September 26, 2028
Series C Warrants	June 23, 2022	24,320	24,320	$ 2.50	June 23, 2029
Series D Warrants	June 23, 2022	24,320	24,320	$ 2.50	September 26, 2028
Series E Warrants	October 11, 2022	53,477	53,477	$ 64.80	October 11, 2027
Series E Warrants	October 11, 2022	106,952	106,952	$ 2.50	September 26, 2028
January 2023 Warrants	January 12, 2023	21,251	21,251	$ 21.20	January 12, 2028
May 2023 Warrants	May 15, 2023	30,382	30,382	$ 13.20	May 15, 2028
May 2023 Warrants	May 15, 2023	272,652	272,652	$ 2.50	September 26, 2028
September 2023 Warrants	September 26, 2023	1,800,000	1,800,000	$ 2.50	September 26, 2028
		2,388,359	2,388,359	$ 4.20	

The derivative warrant liabilities are measured at fair value at each reporting period and the reconciliation of changes in fair value for the six-month periods ended September 30, 2023 and 2022 is presented in the following tables:

	2020 Warrants		2021 Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Balance - beginning of period	$ —	$ 309,769	$ —	$ 306,704
Change in fair value to date of transfer to equity	—	(279,056)	—	(276,527)
Translation effect	—	(11,655)	—	(11,525)
Balance - end of period	$ —	$ 19,058	$ —	$ 18,652

	Series A Warrants		Series B Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Balance - beginning of period	$ 106,207	$ 3,270,816	$ 3,641	$ 1,683,241
Change in fair value	(87,116)	(2,728,178)	15,450	(1,571,237)
Translation effect	—	(136,418)	—	(59,975)
Balance - end of period	$ 19,091	$ 406,220	$ 19,091	$ 52,029

	Series C Warrants		Series D Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Balance - beginning of period	$ 494,289	$ 4,046,836	$ 153,598	$ 3,080,121
Warrants exercised during the period	—	(365,224)	—	(1,403,776)
Change in fair value	(447,113)	(1,881,806)	(127,599)	(979,006)
Translation effect	—	(121,760)	—	(51,319)
Balance - end of period	$ 47,176	$ 1,678,046	$ 25,999	$ 646,020

	Series E Warrants		January 2023 Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Balance - beginning of period	$ 2,046,082	$ —	$ 352,437	$ —
Change in fair value	(1,904,645)	—	(337,132)	—
Balance - end of period	$ 141,437	$ —	$ 15,305	$ —

	May 2023 Warrants		September 2023 Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Balance - beginning of period	$ —	$ —	$ —	$ —
Warrants issued during the period	2,025,247	—	1,972,101	—
Change in fair value	(1,708,929)	—	(47,827)	—
Balance - end of period	$ 316,318	$ —	$ 1,924,274	$ —

The fair value of the derivative warrant liabilities was estimated using the Black-Scholes option pricing model and based on the following assumptions:

	2020 Warrants		2021 Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Share price	N/A	$ 60.80	N/A	$ 60.80
Exercise price	N/A	$ 3,150.00	N/A	$ 3,150.00
Dividend yield	N/A	—	N/A	—
Risk-free interest	N/A	4.18%	N/A	4.10%
Remaining contractual life (years)	N/A	3.06	N/A	3.88
Expected volatility	N/A	99.0%	N/A	93.1%

	Series A Warrants		Series B Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Share price	$ 1.32	$ 60.80	$ 1.32	$ 60.80
Exercise price	$ 2.50	$ 448.00	$ 2.50	$ 448.00
Dividend yield	—	—	—	—
Risk-free interest	4.60%	3.98%	4.60%	3.97%
Remaining contractual life (years)	5.00	4.96	5.00	0.96
Expected volatility	127.1%	90.8%	127.1%	117.1%

	Series C Warrants		Series D Warrants	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Share price	$ 1.32	$ 60.80	$ 1.32	$ 60.80
Exercise price	$ 2.50	$ 92.80	$ 2.50	$ 92.80
Dividend yield	—	—	—	—
Weighted average risk-free interest	4.60%	4.01%	4.60%	4.11%
Weighted average remaining contractual life (years)	5.41	4.73	5.00	1.73
Weighted average expected volatility	124.9%	90.1%	127.1%	107.7%

	Series E Warrants		January 2023 Warrants	
	September 30, 2023	October 11, 2022 (Grant date)	September 30, 2023	January 12, 2023 (Grant date)
Share price	$ 1.32	$ 61.60	$ 1.32	$ 21.20
Weighted average exercise price	$ 2.50	$ 64.80	$ 2.50	$ 21.20
Dividend yield	—	—	—	—
Weighted average risk-free interest	4.63%	4.14%	4.67%	3.53%
Weighted average remaining contractual life (years)	4.43	5.00	4.29	5.00
Weighted average expected volatility	130.6%	90.4%	134.6%	98.2%

	May 2023 Warrants		September 2023 Warrants	
	September 30, 2023	May 15, 2023 (Grant date)	September 30, 2023	September 26, 2023 (Grant date)
Share price	$ 1.32	$ 8.80	$ 1.32	$ 1.35
Exercise price	$ 2.50	$ 13.20	$ 2.50	$ 2.50
Dividend yield	—	—	—	—
Risk-free interest	4.60%	3.46%	4.60%	4.62%
Remaining contractual life (years)	4.96	5.00	4.75	5.00
Expected volatility	127.5%	110.9%	127.1%	126.8%

The Company measured its derivative warrant liabilities at fair value on a recurring basis. These financial liabilities were measured using level 3 inputs. The Company uses the historical volatility of the underlying shares to establish the expected volatility of the warrants. An increase or decrease in this assumption to estimate the fair values using the Binomial model option pricing model would result in an increase or a decrease in the fair value of the instruments, respectively.

11. Capital and other components of equity:

(a) Share capital:

Authorized capital stock:

Unlimited number of shares without par value:

- Common shares

Preferred shares, issuable in series, rights, privileges and restrictions determined at time of issuance:

- Series A preferred shares, non-voting, non-participating, fixed, preferential, and non-cumulative dividend of 5% of paid-up capital, exchangeable at the holder's option under certain conditions into common shares (none issued and outstanding).

All issued shares are fully paid.

(b) Share options exercised:

During the three and six-month periods ended September 30, 2023 and 2022, Neptune issued no common shares of the Company upon exercise of stock options.

(c) DSUs released:

During the three and six-month periods ended September 30, 2023 and 2022 , Neptune issued no common shares of the Company for the release of DSUs to former and current members of the Board of Directors.

(d) RSUs released:

During the three and six-month periods ended September 30, 2023, Neptune issued no common shares of the Company for RSUs released to the CEO as part of his employment agreement.

During the six-month period ended September 30, 2022, Neptune issued 5,420 common shares of the Corporation for RSUs released to the CEO as part of his employment agreement at a weighted average price of $478.46 per common share. The Corporation, with the consent of the CEO delayed issuance of an additional 3,479 RSUs since withholding taxes of $978,117 were paid or payable pursuant to the issuance of the common shares.

(e) Restricted shares:

During the three and six-month periods ended September 30, 2023 and 2022, Neptune issued no restricted common shares of the Company to employees.

(f) Warrants:

On September 26, 2023, as part of the September 2023 Direct Offering described under note 10, Neptune issued 250,000 common shares and 1,550,000 pre-funded warrants ("September 2023 Pre-Funded Warrants"), with each September 2023 Pre-Funded Warrant exercisable for one Common Share. The September 2023 Pre-Funded Warrants were funded in full at closing except for a nominal exercise price of $0.0001 and were exercisable commencing on the Closing Date and are to terminate when such Pre-Funded Warrants would be exercised in full. As of September 30, 2023, 1,156,000 common shares were issued upon exercise of pre-funded warrants for $116, leaving 394,000 September 2023 Pre-Funded Warrants outstanding.

On May 15, 2023, as part of the May 2023 Direct Offering described under note 10, Neptune issued 110,380 common shares and 192,652 pre-funded warrants ("May 2023 Pre-Funded Warrants"), with each May 2023 Pre-Funded Warrant exercisable for one Common Share. The Pre-Funded Warrants were funded in full at closing except for a nominal exercise price of $0.004 and were exercisable commencing on the Closing Date and are to terminate when such Pre-Funded Warrants would be exercised in full. As of September 30, 2023, 192,652 common shares were issued upon exercise of pre-funded warrants for $541, leaving no May 2023 Pre-Funded Warrants outstanding.

On March 10, 2023, Sprout issued promissory notes for gross proceeds of $300,000 to various investors. Pursuant to the terms of those promissory notes, the Company also issued to these investors warrants ("March 2023 Warrants") to purchase an aggregate of 2,778 shares of Neptune common stock, with each warrant exercisable for 5 years following the initial issuance at a price of $21.60 per common share. The aggregate fair value on issuance of the March 2023 Warrants was $37,723.

As of October 1, 2022, as a result of the change in functional currency of Neptune, the 2020 Warrants and 2021 Warrants no longer met the criteria for liability classification and therefore were reclassified as equity prospectively. The reclassification did not impact the net earnings for the period. In connection with the offering closed on September 26, 2023, the Company has agreed that these warrants were amended effective upon the closing of the offering, to reduce the exercise prices of the applicable warrants to $2.50, with expiration dates five years following the closing of the offering.

On June 23, 2022, as part of the June 2022 Direct Offering described under note 10, Neptune issued a total of 16,140 pre-funded warrants ("June 2022 Pre-Funded Warrants"), with each June 2022 Pre-Funded Warrant exercisable for one Common Share. The June 2022 Pre-Funded Warrants were funded in full at closing except for a nominal exercise price of $0.04 and were exercisable commencing on the Closing Date and were to terminate when such June 2022 Pre-Funded Warrants would be exercised in full. The June 2022 Pre-funded warrants were fully exercised on June 24, 2022, for $65.

Changes in the value of equity related to the warrants were as follows:

	September 30, 2023		September 30, 2022	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Warrants outstanding at April 1, 2023 and 2022	$ 36.64	1,569,625	$ 13,013.78	4,412
Issued	0.0040	192,652	0.0040	16,139
Exercised	0.0007	(1,348,652)	0.0040	(16,139)
Warrants outstanding at September 30, 2023 and September 30, 2022	$ 139.03	413,625	$ 13,013.78	4,412
Warrants exercisable at September 30, 2023 and September 30, 2022	$ 139.03	413,625	$ 13,013.78	4,412

Warrants of the Company classified as equity are composed of the following as at September 30, 2023 and March 31, 2023:

			September 30, 2023			March 31, 2023
	Number outstanding	Number exercisable	Amount	Number outstanding	Number exercisable	Amount
Warrants IFF (i)	1,429	1,429	$ 1,630,210	1,429	1,429	$ 1,630,210
Warrants AMI (ii)	2,983	2,983	4,449,680	2,983	2,983	4,449,680
2020 Warrants (iii)	7,524	7,524	19,058	7,524	7,524	19,058
2021 Warrants (iv)	4,911	4,911	18,652	4,911	4,911	18,652
March 2023 Warrants	2,778	2,778	37,723	2,778	2,778	37,723
September 2023 Pre-Funded Warrants	394,000	394,000	426,710	—	—	—
	413,625	413,625	$ 6,582,033	19,625	19,625	$ 6,155,323

(i) During the year ended March 31, 2020, Neptune granted 1,429 warrants ("Warrants IFF") with an exercise price of $16,800.00 expiring on November 7, 2024. The warrants, granted in exchange for services to be rendered by non-employees, vested proportionally to the services rendered. The Warrants IFF fully vested in fiscal year ended March 31, 2022 and as such no expense was recognized in relation to those instruments since then.

(ii) During the year ended March 31, 2020, Neptune granted 2,983 warrants ("Warrants AMI") with an exercise price of $11,200.00 with 2,143 expiring on October 3, 2024 and 840 expiring on February 5, 2025. The warrants, granted in exchange for services to be rendered by non-employees, vest proportionally to the services rendered. The Warrants AMI fully vested in fiscal year ended March 31, 2021 and as such no expense was recognized in relation to those instruments since then.

(iii) During the year ended March 31, 2021, Neptune issued a total of 7,524 warrants ("2020 Warrants") with an exercise price of $3,150.00 expiring on October 22, 2025. The warrants, issued as part of the Private Placement entered into on October 20, 2020, were exercisable beginning anytime on or after April 22, 2021 until October 22, 2025. Initially classified as liability, the 2020 Warrants which had a fair value of $19,058 were reclassified as equity on October 1, 2022 as a result of the change in functional currency. The holders of these warrants will be entitled to participate in dividends and other distributions of assets by the Company to its holders of common shares as though the holder then held common shares. On September 26, 2023, the 2020 Warrants were amended to expire on September 26, 2028 with an exercise price of $2.50.

(iv) On February 19, 2021, the Corporation issued 4,911 warrants ("2021 Warrants") with an exercise price of $3,150.00 expiring on August 19, 2026. The warrants, issued as part of a Registered Direct Offering entered into on February 17, 2021, were exercisable beginning anytime on or after August 19, 2021 until August 19, 2026. Initially classified as liability, the 2021 Warrants which had a fair value of $18,652 were reclassified as equity on October 1, 2022 as a result of the change in functional currency. The holders of these warrants will be entitled to participate in dividends and other distributions of assets by the Company to its holders of common shares as though the holder then held common shares. On September 26, 2023, the 2021 Warrants were amended to expire on September 26, 2028 with an exercise price of $2.50.

(g) Common shares issued in connection with debt financing:

On February 15, 2023, Neptune issued 3,659 common shares for a value of $96,578 in connection with an aggregate $550,000 Secured Promissory Notes that were issued by Sprout on November 8, 2022, for the payment of borrowing costs.

On September 9, 2022, Neptune issued 920 common shares for a value of $75,736 in connection with a new $250,000 Secured Promissory Notes that were issued by Sprout, for the payment of borrowing costs.

On July 13, 2022, Neptune issued 9,317 common shares for a value of $570,185 in connection with the amendment of the Secured Promissory Notes that were issued by Sprout for the payment of borrowing costs. In connection with this amendment, investment funds managed by MSEC have provided an additional $3 million in Secured Promissory Notes to Sprout.

(h) Direct Offerings:

On September 26, 2023, Neptune issued a total of 1,550,000 pre-funded warrants ("September 2023 Pre-Funded Warrants"), along with 250,000 common shares of the Company, as part of a registered direct offering ("September 2023 Direct Offering"). Each September 2023 Pre-Funded Warrant was exercisable for one Common Share. The common shares and the September 2023 Pre-Funded Warrants were sold together with 1,800,000 September 2023 Warrants (see note 10). Each of the September 2023 Warrant is exercisable for one common share. Each of the common shares and September 2023 Pre-Funded Warrants and the accompanying September 2023 Warrants were sold together at a combined offering price of $2.50, for aggregate gross proceeds of $4,500,000 before deducting fees and other estimated offering expenses. The September 2023 Pre-Funded Warrants are funded in full at closing except for a nominal exercise price of $0.0001 and are exercisable commencing on the Closing Date and will terminate when such September 2023 Pre-Funded Warrants are exercised in full. The September 2023 Warrants have an exercise price of $2.50 per share and can be exercised for a period of 5 years from the date of issuance. Proceeds of the September 2023 Direct Offering were allocated between common shares and warrants first by allocating proceeds to the warrants classified as a liability based on their fair value and then allocating the residual to the equity instruments, which includes the September 2023 Pre-Funded Warrants. The fair value of the liability-classified warrants was determined using the Black-Scholes model, resulting in an initial warrant liability of $1,972,101 for the September 2023 Warrants. The September 2023 Pre-Funded Warrants were also valued using the Black-Scholes model, resulting in $2,021,466 relative fair value recorded under equity, and by difference, $506,278 was allocated to the Common Shares. The Company is in need of financing to be able to continue its activities as described in note 1. The September 2023 Pre-Funded Warrants were exercised in part during the three and six-month periods ended September 30, 2023 for gross proceeds of $116. Total issue costs related to this direct offering were $763,012, of which $85,847 were recorded under common stock, $342,768 were recorded under equity warrants and $334,397 were recorded under finance costs.

On May 15, 2023, Neptune issued a total of 192,652 pre-funded warrants ("May 2023 Pre-Funded Warrants"), along with 110,380 common shares of the Company, as part of a registered direct offering ("May 2023 Direct Offering"). Each May 2023 Pre-Funded Warrant was exercisable for one Common Share. The common shares and the May 2023 Pre-Funded Warrants were sold together with 303,032 May 2023 Warrants (see note 10). Each of the May 2023 Warrant is exercisable for one common share. Each of the common shares and May 2023 Pre-Funded Warrants and the accompanying May 2023 Warrants were sold together at a combined offering price of $13.20, for aggregate gross proceeds of $4,000,000 before deducting fees and other estimated offering expenses. The May 2023 Pre-Funded Warrants were funded in full at closing except for a nominal exercise price of $0.004 and are exercisable commencing on the Closing Date and will terminate when such May 2023 Pre-Funded Warrants are exercised in full. The May 2023 Warrants had an exercise price of $13.20 per share and could be exercised for a period of 5 years from the date of issuance. Proceeds of the May 2023 Direct Offering were allocated between common shares and warrants first by allocating proceeds to the warrants classified as a liability based on their fair value and then allocating the residual to the equity instruments, which includes the Pre-Funded Warrants. The fair value of the liability-classified warrants was determined using the Black-Scholes model, resulting in an initial warrant liability of $2,025,247 for the May 2023 Warrants. The Pre-Funded Warrants were also valued using the Black-Scholes model, resulting in $1,255,240 relative fair value recorded under equity, and by difference, $719,513 was allocated to the Common Shares. The Company is in need of financing to be able to continue its activities as described in note 1. The May 2023 Pre-Funded Warrants were fully exercised over the three and six-month periods ended September 30, 2023 for gross proceeds of $771. Total issue costs related to this direct offering were $758,628, of which $136,461 were recorded under common stock, $238,065 were recorded under equity warrants and $384,102 were recorded under finance costs.

On June 23, 2022, Neptune issued a total of 16,140 pre-funded warrants ("Pre-Funded Warrants"), along with 32,500 common shares of the Company, as part of a registered direct offering ("June 2022 Direct Offering"). Each Pre-Funded Warrant was exercisable for one Common Share. The common shares and the Pre-Funded Warrants were sold together with 48,640 Series C Warrants (the "Series C Warrants"), and 48,640 Series D Warrants (the "Series D Warrants") and collectively, the "June 2022 Common Warrants". Each of the June 2022 Common Warrant is exercisable for one common share. Each of the common share and Pre-Funded Warrants and the accompanying June 2022 Common Warrants were sold together at a combined offering price of $102.80, for aggregate gross proceeds of $5,000,002 before deducting fees and other estimated offering expenses. The Pre-Funded Warrants were funded in full at closing except for a nominal exercise price of $0.004 and were exercisable commencing on the Closing Date and will terminate when such Pre-Funded Warrants are exercised in full. The Series C Warrants and the Series D Warrants have an exercise price of $92.80 per share and could be exercised for a period of 5 years and 2 years respectively from the date of issuance. On October 6, 2022, the Company agreed to extend the termination date of 24,320 Series C Warrants by two years. Proceeds of the June 2022 Direct Offering were allocated between common shares and warrants first by allocating proceeds to the warrants classified as a liability based on their fair value and then allocating the residual to the equity instruments, which includes the Pre-Funded Warrants. The fair value of the liability-classified warrants was determined using the Black-Scholes model, resulting in an initial warrant liability of $4,046,836 for the Series C Warrants and $3,080,121 for the Series D Warrants. Because the fair value of the liability classified warrants exceeded the total proceeds, no consideration was allocated to the Common Shares and Pre-Funded Warrants and a loss $2,126,955 was immediately recognized in the net loss of the period as there were no additional rights or privileges identified. The Company is in need of financing to be able to continue its activities as described in note 1. The Pre-Funded Warrants were exercised in full on June 24, 2022, for gross proceeds of $65. Total issue costs related to this private placement of $465,211, were recorded under finance costs. During the month of August 2022, a total of 5,031 Series C Warrants and 24,320 Series D Warrants were exercised at $92.80 each in cashless transactions, which resulted in an aggregate total of 384,446 shares being issued for an aggregate value of $1,769,000. The exercise price of the remaining 43,609 Series C Warrants and 24,320 Series D Warrants was amended on September 26, 2023, to $2.50 per share; the expiry date of 19,289 Series C Warrants and 24,320 Series D Warrants was also amended to September 26, 2028.

12. Non-controlling interest:

The summarized financial information of Sprout is provided below. This information is based on amounts before inter-company eliminations and include the effects of the Company's purchase price adjustments.

Summarized statement of loss and comprehensive loss:

	Three-month period ended September 30, 2023	Three-month period ended September 30, 2022	Six-month period ended September 30, 2023	Six-month period ended September 30, 2022
Revenue from contracts with customers	$ 5,687,955	$ 8,364,475	$ 14,059,754	$ 16,522,072
Cost of sales	(6,862,077)	(7,610,969)	(14,548,943)	(15,923,258)
Selling, general and administrative expenses	(5,333,019)	(2,472,272)	(8,148,909)	(6,227,801)
Impairment loss on goodwill and intangible assets	—	(10,164,000)	—	(10,164,000)
Finance costs	(2,403,336)	(923,315)	(3,250,564)	(1,462,282)
Loss before tax	(8,910,477)	(12,806,081)	(11,888,662)	(17,255,269)
Net loss	(8,910,477)	(12,806,081)	(11,888,662)	(17,255,269)
Total comprehensive loss	(8,910,477)	(12,806,081)	(11,888,662)	(17,255,269)
Loss attributable to the subsidiary's non-controlling interest	(4,446,328)	(1,803,089)	(5,932,442)	(2,220,145)
Comprehensive loss attributable to the subsidiary's non-controlling interest	$ (4,446,328)	$ (11,002,992)	$ (5,932,442)	$ (2,220,145)

Summarized statement of balance sheets:

	September 30, 2023	March 31, 2023
Current assets	$ 10,747,937	12,382,450
Non-current assets	6,307	9,788
Current liabilities	21,120,341	12,938,219
Non-current liabilities	38,169,330	35,789,746
Total equity (deficiency)	(48,535,427)	(36,335,727)
Attributable to:		
Equity holders of the Company	$ (55,325,062)	$ (20,714,912)
Non-controlling interest	6,789,635	(15,620,815)

Summarized statement of cash flow:

	Three-month period ended September 30, 2023	Three-month period ended September 30, 2022	Six-month period ended September 30, 2023	Six-month period ended September 30, 2022
Cash flow used in operating activities	$ (1,012,780)	$ (1,842,160)	$ (2,577,557)	$ (3,925,100)
Cash flow provided by investing activities	—	—	—	—
Cash flow provided by financing activities	1,015,043	2,601,978	2,905,697	3,250,000
Net increase (decrease) in cash and cash equivalents	$ 2,263	$ 759,818	$ 328,140	$ (675,100)

(1) Cash flow from financing activities is partially provided through intercompany advances.

13. Share-based payment:

Under the Company's share-based payment arrangements, stock-based compensation expenses of $ 467,269 and $ 1,083,426 respectively were recognized on equity share based awards for the three and six-month periods ended September 30, 2023 and expenses of nil and nil on liability-based awards in the condensed consolidated interim statement of loss and comprehensive loss for the three and six-month periods ended September 30, 2023 (2022 - respectively $ 639,883 and $ 1,826,983 for equity-based awards and $1,750 and $3,152,578 for liability-based awards).

As at September 30, 2023, the Company had the following share-based payment arrangements:

(a) Company stock option plan:

(i) Stock option plan:

The Company has established a stock option plan for directors, officers, employees and consultants. The exercise price of the stock options granted under the plan is not lower than the closing price of the common shares listed on the Nasdaq on the eve of the grant. The terms and conditions for acquiring and exercising options are set by the Board of Directors, subject to, among others, the following limitations: the term of the options cannot exceed ten years and every stock option granted under the stock option plan will be subject to conditions no less restrictive than a minimum vesting period of 18 months and a gradual and equal acquisition of vesting rights at least on a quarterly basis. The Company's stock-option plan allows the Company to issue a number of stock options not exceeding 25% of the number of common shares issued and outstanding at the time of any grant. The total number of stock options issuable to a single holder cannot exceed 20% of the Company's total issued and outstanding common shares at the time of the grant, provided that the maximum number of stock options issuable to a single consultant cannot exceed 2% of the Company's total issued and outstanding common shares at the time of the grant.

The number and weighted average exercise prices of stock options are as follows:

	2023		2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Options outstanding at April 1st, 2023 and 2022	$ 729.32	10,443	$ 1,496.49	7,384
Granted	—	—	64.14	5,744
Forfeited/Cancelled	109.36	(2,027)	568.53	(1,419)
Expired	—	—	1,381.41	(28)
Options outstanding at September 30, 2023 and 2022	$ 867.87	8,416	$ 885.15	11,681
Options exercisable at September 30, 2023 and 2022	$ 867.95	7,855	$ 1,895.06	3,917

September 30, 2023

	Options outstanding		Exercisable options	
Exercise price	Weighted remaining contractual life outstanding	Number of options outstanding	Weighted number of options exercisable	Weighted average exercise price
$62 - $64	3.88	990	966	$ 62.00
$64 - $243	3.99	2,852	2,852	65.60
$243 - $8960	3.36	466	168	470.01
$896 - $1129	2.87	2,144	2,145	1,022.00
$1130 - $6273	5.58	1,964	1,724	2,493.46
	4.03	8,416	7,855	$ 867.95

The weighted average fair value of the options granted to employees during the three and six-month periods ended September 30, 2023 was $ nil(2022 - $63.60 and $63.60 respectively). No options were granted by the Company to non-employees during the six-month periods ended September 30, 2023 and 2022.

Stock-based compensation recognized under this plan amounted to $18,995 and $167,924 respectively for the three and six-month periods ended September 30, 2023 (2022 - $(5,138) and $475,273 respectively). Unrecognized compensation cost at September 30, 2023 is $51,308, with a weighted average period remaining of 0.85 years (2022 - $752,005 with a weighted average period remaining of 1.03 years).

(ii) Non-market performance options:

On July 8, 2019, the Company granted 2,500 non-market performance options under the Company stock option plan at an exercise price of $6,202.00 per share to the CEO, expiring on July 8, 2029. These options vest after the attainment of non-market performance conditions within the following ten years. These non-market performance options required the approval of amendments to the stock option plan and therefore the fair value of these options was revalued up to the date of the approval of the amendments (grant date). None of these non-market performance options have vested as at September 30, 2023. These options were not exercisable as at September 30, 2023 and 2022.

No stock-based compensation expense was recognized during the three and six-month periods ended September 30, 2023 and 2022.

(iii) Market performance options:

On July 8, 2019, the Company granted 3,929 market performance options under the Company stock option plan at an exercise price of $6,202.00 per share to the CEO, expiring on July 8, 2029. These options vest after the attainment of market performance conditions within the following ten years. Some of these market performance options required the approval of amendments to the stock option plan and therefore the fair value of these options was revalued up to the date of the approval of the amendments (grant date).

The number and weighted average exercise prices of market performance options are as follows:

		2023		2022	
	Notes	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Options outstanding at April 1, 2023 and 2022		$ 6,202.00	3,929	$ 6,202.00	3,929
Options outstanding at September 30, 2023 and 2022		$ 6,202.00	3,929	$ 6,202.00	3,929
Options exercisable at September 30, 2023 and 2022		$ 6,202.00	536	$ 6,202.00	536

Stock-based compensation recognized under this plan amounted to $448,274 and $915,502 respectively for the three and six-month periods ended September 30, 2023 (2022 - $601,957 and $1,202,991). Unrecognized compensation cost at September 30, 2023 is $8,151,228 with a weighted average period remaining of 6.01 years (2022 - $9,884,878 with a weighted average period remaining of 7.01 years).

(b) Deferred Share Units and Restricted Share Units:

The Company has established an equity incentive plan for employees, directors and consultants of the Company. The plan provides for the issuance of restricted share units, performance share units, restricted shares, deferred share units and other share-based awards, subject to restricted conditions as may be determined by the Board of Directors. Upon fulfillment of the restricted conditions, as the case may be, the plan provides for settlement of the awards outstanding through shares.

(i) Deferred Share Units ("DSUs")

The number and weighted average share prices of DSUs are as follows:

		2023		2022	
	Notes	Weighted average share price	Number of DSUs	Weighted average share price	Number of DSUs
DSUs outstanding at April 1, 2023 and 2022		$ 2,657.95	110	$ 2,657.95	110
DSUs outstanding at September 30, 2023 and 2022		$ 2,657.95	110	$ 2,657.95	110
DSUs exercisable at September 30, 2023 and 2022		$ 2,657.95	110	$ 2,657.95	110

Of the 110 DSUs outstanding as at September 30, 2023 (2022 – 110), no DSUs vested during the six-month period ended September 30, 2023 upon services to be rendered during a period of twelve months from date of grant (2022 – $nil). The fair value of the DSUs is determined to be the share price at the date of grant and is recognized as stock-based compensation, through additional paid-in capital, over the vesting period.

Stock-based compensation recognized under this plan amounted to $nil and $nil respectively for the three and six-month periods ended September 30, 2023 (2022 - $3,831 and $13,025). Unrecognized compensation cost of $nil as at September 30, 2023 ($nil unrecognized compensation cost as at September 30, 2022).

(ii) Restricted Share Units (''RSUs'')

During the year ended March 31, 2020, as part of the employment agreement of the CEO, the Company granted RSUs which vest over three years in 36 equal installments. During the year ended March 31, 2021, Neptune granted additional RSUs to the CEO and to executives of the Company, which vest over periods ranging from 6 months to 3 years. The fair value of the RSUs is determined to be the share price at the date of grant and is recognized as stock-based compensation, through additional paid-in capital, over the vesting period. The fair value of the RSUs granted during the six-month period ended September 30, 2023 was $nil per unit (2022 - $265.96).

	Notes	2023 Weighted average share price	2023 Number of RSUs	2022 Weighted average share price	2022 Number of RSUs
RSUs outstanding at April 1st, 2023 and 2022		$ 2,401.60	71	$ 2,389.92	626
Granted		—	—	265.96	8,734
Forfeited		—	—	2,389.92	(1)
Released through the issuance of common shares	11(d)	—	—	478.46	(5,419)
Withheld as payment of withholding taxes	11(d)	—	—	478.46	(3,479)
RSUs outstanding at September 30, 2023 and 2022		$ 2,401.60	71	$ 1,017.60	461
RSUs exercisable at September 30, 2023 and 2022		$ 2,401.60	71	$ 2,401.60	71

Stock-based compensation recognized under this plan amounted to nil and nil respectively for the three and six-month periods ended September 30, 2023 (2022- $ 274,916 and $1,883,676). Unrecognized compensation cost at September 30, 2023 is nil (2022- $ 132,681 unrecognized compensation cost with a weighted average remaining life of 1.49 years).

On November 14, 2021, the Company and its CEO entered into an agreement pursuant to which the CEO's existing employment agreement was amended to waive the Company's obligation to procure directors and officers insurance coverage of up to $15 million for the period covering July 1, 2021 to July 31, 2022. The parties agreed that if the Company had successfully completed a strategic partnership prior to December 31, 2021, the CEO would have been entitled to approximately $6.9 million in cash and would have been granted fully vested options to purchase 212,500 shares of the Company's common stock. As the strategic partnership was not consummated by December 31, 2021, the CEO was entitled to monthly cash payments for an aggregate value of approximately $6.9 million or the issuance over time of a fixed amount of fully vested RSUs, at the option of the Company.

The balance of the liability accrual to the CEO is $8,587 (including withholding taxes) as at September 30, 2023, in trade and other payables. The revaluation of the liability amounted to gains of nil and of $8,587 respectively for the three and six-month periods ended September 30, 2023 and were recorded into selling, general and administrative expenses (2022 – a loss of $(1,750) and a gain of $3,152,578 respectively). During the three and six-month periods ended September 30, 2023, settlements in RSUs were of $132,681 and nil respectively (2022 - $235,683 and $1,422,904). The compensation to be settled in RSUs or if the Company is unable to grant such RSUs, then a combination of cash and vested RSUs with equivalent value, is not reflected in the number of RSUs outstanding above.

(c) Long term cash bonus:

According to the employment agreement with the CEO, a long-term incentive of $15 million is payable if the Company's US market capitalization is at least $1 billion. The Company uses a risk-neutral Monte Carlo simulation to estimate the fair-value of this instrument and recognizes the incentive over the estimated period to reach the market capitalization.

As at September 30, 2023, the liability related to this long-term incentive of $19,000 ($24,000 as at March 31, 2023) is presented in Other liability in the consolidated balance sheets. During the six-month period ended September 30, 2023, a recovery of $(5,000)(2022- a recovery of $(64,688)) was recorded in connection with the long-term incentive under selling, general and administrative expenses in the consolidated statement of loss.

14. Loss per share:

When the Company has a net loss, the effects of options, DSUs, RSUs and warrants are excluded from the calculation of diluted loss per share for periods in which a company sustains a loss. Accordingly, diluted loss per share was the same as basic loss per share because the Company has incurred losses in the periods presented. All outstanding options, DSUs, RSUs and warrants could potentially be dilutive in the future.

When the Company has net income, basic net income per share using the two-class method is presented. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to equity holders and that determines basic net income per share for each class of stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings that would have been available to equity holders. A participating security is defined as a security that may participate in undistributed earnings with shares.

The Company's capital structure includes securities that participate with shares on a one-for-one basis for distribution of dividends. The following classes of warrants are considered participating securities as they are entitled to participate in dividend distributions alongside equity holders for which the two-class method is applied in computing earnings per share: Series A Warrants, Series B Warrants, Series C Warrants, Series D Warrants, Series E Warrants, 2020 Warrants, 2021 Warrants, January 2023 Warrants, May 2023 Warrants and Pre-Funded Warrants. The Company determines the diluted net income per share by using the more dilutive of the two class-method or the treasury stock method. The issued and unexercised liability and equity classified warrants do not participate in losses of the Company, thus an allocation of losses is not performed when the Company is in a loss position.

More specifically, the breakdown between participating and non-participating warrants is as follows:

Reference	Number of warrants outstanding	Number of participating warrants	Number of non-participating warrants
Series A Warrants	17,858	17,858	—
Series B Warrants	17,858	17,858	—
Series C Warrants	43,609	43,609	—
Series D Warrants	24,320	24,320	—
Series E Warrants	160,429	160,429	—
January 2023 Warrants	21,251	21,251	—
May 2023 Warrants	303,034	303,034	—
September 2023 Warrants	1,800,000	1,800,000	—
Warrants classified as liability	2,388,359	2,388,359	—
Warrants IFF	1,429	—	1,429
Warrants AMI	2,983	—	2,983
2020 Warrants	7,524	7,524	—
2021 Warrants	4,911	4,911	—
March 2023 Warrants	2,778	—	2,778
September 2023 Pre-Funded Warrants	394,000	394,000	—
Warrants classified as equity	413,625	406,435	7,190
	2,801,984	2,794,794	7,190

For the three and six-month periods ended September 30, 2023 and 2022, the Company has a net loss, and therefore, the basic and dilutive loss per share is calculated as follows:

	Three-month periods ended		Six-month periods ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net loss attributed to equity holders	$ (890,190)	$ (30,897,458)	$ (9,204,558)	$ (35,181,808)
Basic and dilutive loss attributed to common shareholders	$ (890,190)	$ (30,897,458)	$ (9,204,558)	$ (35,181,808)
Basic and dilutive weighted-average number of common shares outstanding	646,813	204,388	526,623	197,489
Net loss per share attributable to common shareholders of the Company:				
Basic and dilutive loss per share	$ (1.38)	$ (151.17)	$ (17.48)	$ (178.15)

The following table summarizes outstanding securities not included in the computation of diluted net income (loss) per share as the effect would have been anti-dilutive for each respective period.

	Three-month periods ended		Six-month periods ended	
Securities	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Options, RSU's, DSU's	15,026	18,681	15,026	18,681
Warrants	2,407,984	120,488	2,407,984	120,488

15. Fair-value:

The Company uses various methods to estimate the fair value recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – Fair value based on valuation techniques which includes inputs related to the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities measured at fair value on a recurring basis are the call option granted to Neptune by Sprout's non-controlling interest owners of equity, the liability to CEO for long-term incentive, and liability related to warrants.

The following table presents the Company's hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 and March 31, 2023:

		September 30, 2023			
	Notes	Level 1	Level 2	Level 3	Total
Liabilities					
Liability related to warrants	10	$ —	$ —	$ 2,508,691	$ 2,508,691
Other liability	13(c)	–	–	19,000	19,000
Total		$ —	$ —	$ 2,527,691	$ 2,527,691

		March 31, 2023			
	Notes	Level 1	Level 2	Level 3	Total
Liabilities					
Liability related to warrants	10	$ —	$ —	$ 3,156,254	$ 3,156,254
Other liability	13(c)	–	–	24,000	24,000
Total		$ —	$ —	$ 3,180,254	$ 3,180,254

The liabilities related to warrants were recorded at their fair value using a Binomial pricing model. Warrants are revalued each period end at fair value through profit and loss using level 3 inputs (note 10).

The Company has determined that the carrying values of its short-term financial assets and liabilities approximate their fair values given the short-term nature of these instruments. The carrying value of the short-term investment also approximates its fair value given the short-term maturity of the reinvested funds. For variable rate loans and borrowings, the fair value is considered to approximate the carrying amount.

Sprout's other equity interest owners granted Neptune a call option (the "Call Option") to purchase the remaining 49.9% outstanding equity interests of Sprout, at any time beginning on January 1, 2023, and ending on December 31, 2023. The total consideration payable for the additional shares ("Call Shares") upon the exercise of the Call Option and the closing of Neptune's acquisition of the Call Shares would be based on multiples per the contract of 3.0x for revenues and 15.0x for EBITDA, weighted at 50% each. On March 31, 2022, the Call option was measured to a $nil value resulting in a loss on revaluation of derivatives of $5,598,198 for the year ended March 31, 2022. There was no change in value of the Call Option since then. The measurement is based on level 3 inputs.

16. Commitments and contingencies:

(a) Commitments:

(i) On January 31, 2020, Neptune entered into an exclusive license agreement for a specialty ingredient in combination with fish oil products in nutraceutical products for a period of 8 years. Neptune is required to pay royalties on sales for these products. To maintain exclusivity, Neptune must reach annual minimum volumes of sales for the duration of the agreement or make corresponding minimum royalty payments. The total remaining amount of minimum royalties under the license agreement is $188,657. Failure to make the minimum royalty payments will solely result in the license granted thereunder becoming non-exclusive. Following the divesture of the Cannabis business, the Company has forfeited its exclusivity on the cannabis portion of the license agreement.

(ii) On March 21, 2019, the Company received a judgment from the Court regarding certain previously disclosed claims made by a corporation controlled by the former CEO against the Company in respect to certain royalty payments alleged to be owed and owing to the former CEO pursuant to the terms of an agreement entered into on February 23, 2001 between Neptune and the former CEO (the "Agreement"). The Court declared that under the terms of the agreement, the Company is required to pay royalties of 1% of its revenues in semi-annual instalments, for an unlimited period. Based on currently available information, a provision of $1,213,954 for royalty payments has been recognized as of September 30, 2023 ($963,808 as at March 31, 2023). Refer to note 9.

(iii) On May 28, 2021, Sprout entered into a license agreement with Moonbug Entertainment Limited ("Moonbug"), pursuant to which it would license certain intellectual property, relating to characters from the children's entertainment property CoComelon, for use on certain Sprout products through December 31, 2023 in exchange for a royalty on net sales. Sprout is required to make minimum guaranteed annual payments to Moonbug of $200,000 over the term of the agreement. The agreement may be extended for an additional three years in exchange for an additional minimum guaranteed annual payment to Moonbug of $200,000 over the extended term of the agreement. Royalties payable under the agreement are set off against minimum guaranteed payments made. As at September 30, 2023, the remaining commitment on the initial term of the agreement is $136,245 ($98,786 as at March 31, 2023).

(iv) On March 16, 2021, a purported class action, captioned Marvin Gong v. Neptune Wellness Solutions, et al., was filed in the United States District Court for the Eastern District of New York against the Company and certain of its current and former officers. On October 21, 2022, the Company announced that it had agreed to settle and resolve the lawsuit for a gross payment to the class of between $4 and $4.25 million, with the exact amount being within the Company's control and dependent on the type of consideration used. The settlement was subject to court approval and certification by the court of the class. On March 16, 2023, the settlement offer was accepted and the first payment in the amount of $500,000 was paid on March 22, 2023. Two additional payments of $500,000 each were subsequently made. Neptune paid the balance of the settlement in securities worth $2,750,000 by issuing 2,522,936 common shares on October 10, 2023.

(b) Contingencies:

In the normal course of business, the Company is involved in various claims and legal proceedings, for which the outcomes, inflow or outflow of economic benefits, are uncertain. The most significant of which are ongoing are as follows:

(i) In September 2020, Neptune submitted a claim and demand for arbitration against Peter M. Galloway and PMGSL Holdings, LLC (collectively "PMGSL") in accordance with the SugarLeaf Asset Purchase Agreement ("APA") dated May 9, 2019, between Neptune, PMGSL, Peter M. Galloway and Neptune Holding USA, Inc. Separately, PMGSL submitted a claim and demand for arbitration against Neptune. The Neptune claims and PMGSL claims have been consolidated into a single arbitration and each are related to the purchase by Neptune of substantially all of the assets of the predecessor entities of PMGSL Holdings, LLC. Neptune is claiming, among other things, breach of contract and negligent misrepresentation by PMGSL in connection with the APA and is seeking, among other things, equitable restitution and any and all damages recoverable under law. PMGSL is claiming, among other things, breach of contract by Neptune and is seeking, among other things, payment of certain compensation contemplated by the APA. A merit hearing in the arbitration started in April 2022 with a further week of testimony from August 1-5, 2022. On June 15, 2022, a one-day hearing took place on Neptune's motion to enforce a settlement agreement reached on April 2021 (which was repudiated by PMGSL in June 2021). Following oral argument on July 7, 2022, that motion was denied and a fee award of approximately $68,000 was entered against Neptune. On April 13, 2023, PMGSL filed a lawsuit in Florida Superior Court to collect that fee award. Neptune disputes the Florida Court's jurisdiction in over that action. On August 23, 2023, an arbitrator awarded PMGSL $2.2 million as well as certain attorneys' fees and expenses, totaling in the aggregate approximately $4.0 million, which includes pre-award interest. While the arbitrator dismissed PMGSL's primary claim seeking damages in the high eight figures, the arbitrator found that Neptune failed to provide administrative assistance in removing legends on common shares issued to PMGSL and failed to pay severance to Peter Galloway upon his termination from the Company. Neptune's claims against PMGSL were dismissed. The award was required to be paid by the Company by September 29, 2023, and if unpaid will accrue post-award interest at 10.5% per annum simple interest until payment. The award was made pursuant to a binding arbitration arising from a previously disclosed dispute under the Asset Purchase Agreement between the Company and PMGSL in connection with the Company's acquisition of SugarLeaf Labs, Inc. The Company strongly disagrees with this award; Neptune has not made any payment toward this award and intends to challenge the validity of the award in federal court. Based on currently available information, a provision of $4,000,000 has been recognized for this case as at September 30, 2023 ($600,000 as at March 31, 2023).

(ii) On October 22, 2020, Iron Lab, S.A. de C.V. submitted a claim and demand for arbitration against Neptune Wellness Solutions Inc., Neptune Health & Wellness Innovation, Inc. and Biodroga Nutraceuticals Inc., claiming that Neptune and its subsidiaries breached their obligations under a purported agreement with Iron Lab regarding the purchase of hand sanitizer. Neptune and the other respondents dispute the existence of any binding agreements or jurisdiction to hear the arbitration and have asserted counterclaims based on Iron Lab's delivery of non-conforming product based on Neptune's purchase orders. The parties are currently awaiting an award from the arbitration panel. Based on currently available information, no provision has been recognized for this case as at March 31, 2023.

(iii) On February 4, 2021, the United States House of Representatives Subcommittee on Economic and Consumer Policy, Committee on Oversight and Reform (the "Subcommittee"), published a report, "Baby Foods Are Tainted with Dangerous Levels of Arsenic, Lead, Cadmium, and Mercury" (the "Report"), which stated that, with respect to Sprout, "independent testing of Sprout Organic Foods" has confirmed that their baby foods contain concerning levels of toxic heavy metals." The Report further stated that after receiving reports alleging high levels of toxic metals in baby foods, the Subcommittee requested information from Sprout but did not receive a response. On February 11, 2021, following the acquisition of a 50.1% stake in Sprout by Neptune, the Subcommittee contacted Sprout, reiterating its requests for documents and information about toxic heavy metals in Sprout's baby foods. Sprout provided an initial response to the Subcommittee on February 25, 2021, and is cooperating with the Subcommittee requests.

Further, on February 24, 2021, the Office of the Attorney General of the State of New Mexico ("NMAG") delivered to Sprout a civil investigative demand requesting similar documents and information with regards to the Report and the NMAG's investigation into possible violations of the False Advertising Act of New Mexico. Sprout is responding to the requests of the NMAG.

Since February 2021, several putative consumer class action lawsuits have been brought against Sprout alleging that its products (the "Products") contain unsafe and undisclosed levels of various naturally occurring heavy metals, namely lead, arsenic, cadmium and mercury. Sprout has denied the allegations in these lawsuits and contends that its baby foods are safe and properly labeled. The claims raised in these lawsuits were brought in the wake of the highly publicized Report. All such putative class actions have since been dismissed. No provision has been recorded in the financial statements for these cases.

In addition to the consumer class actions discussed above, Sprout is currently named in four lawsuits (a lawsuit filed in California State Court on June 16, 2021 has been dismissed with prejudice, two lawsuits filed in California State Court in October 2023 are pending, a lawsuit was filed in Hawaii State Court on January 9, 2023, and a lawsuit was filed in Nevada Federal Court on March 3, 2023, respectively) alleging some form of personal injury from the ingestion of Sprout's Products, purportedly due to unsafe and undisclosed levels of various naturally occurring heavy metals. These lawsuits generally allege injuries related to neurological development disorders such as autism spectrum disorder and attention deficit hyperactivity disorder. Sprout denies that its Products contributed to any of these injuries. In addition, the Office of the Attorney General for the District of Columbia ("OAG") sent a letter to Sprout dated October 1, 2021, similar to letters sent to other baby food manufacturers, alleging potential labeling and marketing misrepresentations and omissions regarding the health and safety of its baby food products, constituting an unlawful trade practice. Sprout has agreed to meet with the OAG and will vigorously defend against the allegations. No provision has been recorded in the financial statements for this matter.

These matters may have a material adverse effect on Sprout's financial condition, or results of operations.

(iv) On October 11, 2022, a warehousing company called Carolina Rework Solutions, LLC filed a lawsuit against Neptune Health & Wellness Innovation, Inc. for breach of a warehousing contract with damages of $175,534 plus additional unspecified damages estimated to be in excess of $1,000,000 for disposal of hand sanitizer product housed at its warehouse. On May 30, 2023, Carolina Rework Solution, LLC received leave of court to add Neptune Holding USA, Inc. and Neptune Wellness Solutions, Inc. as additional defendants to the claim on a veil-piercing theory. Neptune Holding USA, Inc. and Neptune Wellness Solutions, Inc. intend to deny that the court has jurisdiction over them and deny that veil piercing is appropriate.

(v) On February 28, 2023, a warehousing company called Freight Connections filed a lawsuit against Neptune Health & Wellness Innovation, Inc. for breach of a warehousing contract, breach of duty of good faith and fair dealing, quantum meruit and fraud with damages of $328,168 plus punitive and consequential damages related to hand sanitizer product at plaintiff's facility.

The outcome of these claims and legal proceedings against the Company cannot be determined with certainty and is subject to future resolution, including the uncertainties of litigation.

17. Operating Segments:

The Company measures its performance based on a single segment, which is the consolidated level.

a) Geographical information:

Revenue is attributed to geographical locations based on the origin of customers' location:

	Three-month periods ended		Six-month periods ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Canada	$ 1,197,393	$ 670,557	$ 2,226,612	$ 5,727,059
United States	7,517,184	11,097,554	17,094,095	22,029,091
Other countries	25,311	218,731	46,998	502,920
	$ 8,739,888	$ 11,986,842	$ 19,367,705	$ 28,259,070

Long-lived assets of the Company are located in the following geographical location:

	September 30, 2023	March 31, 2023
Canada	$ 198,310	$ 250,921
United States	964,457	1,152,343
Total property, plant and equipment	$ 1,162,767	$ 1,403,264

	September 30, 2023	March 31, 2023
Canada	$ 1,389,803	$ 1,607,089
Total intangible assets	$ 1,389,803	$ 1,607,089

	September 30, 2023	March 31, 2023
Canada	$ 2,428,718	$ 2,426,385
Total goodwill	$ 2,428,718	$ 2,426,385

b) Revenues

The Company derives revenue from the sales of goods which are recognized at a point in time as follows:

	Six-month periods ended	
	September 30, 2023	September 30, 2022
Nutraceutical products	$ 5,241,977	$ 8,303,527
Cannabis and hemp products	—	2,717,327
Food and beverages products	14,059,754	16,702,300
	$ 19,301,731	$ 27,723,154

18. Subsequent events:

On October 10, 2023, the Company completed the settlement of a putative shareholder class action lawsuit filed against Neptune and certain of its current and former officers and directors, by issuing 2,522,936 common shares worth an aggregate of $2,750,000 (see notes 9(d) and 16(iv)).

On October 13, 2023, the Company announced it has prepaid in full its senior secured notes with CCUR Holdings, Inc. and Symbolic Logic, Inc., after a payment of approximately $2.3 million. The senior secured notes had an original principal amount of $4 million and bore a fixed interest rate of 16.5% per annum (see note 8).

On November 7, 2023, the Company, NH Expansion Credit Fund Holdings LP ("MSEC") and Sprout Foods, Inc. entered into a Restructuring Agreement (the "Restructuring Agreement") relating to the conversion of certain debts owed by Sprout to Neptune into shares of common stock of Sprout, in accordance with the terms of a previously disclosed Exchange option. Following the Restructuring Agreement, Neptune announced on November 8, 2023 that it has effectively converted a substantial portion of Neptune's Sprout debt into Sprout equity. In accordance with the terms of the previously announced Exchange option, Sprout debt was exchanged for Sprout equity resulting in Neptune having increased Sprout ownership from 50.1% to approximately 89.5%. The debt exchange will significantly improve the strategic positioning for both entities, decreasing expenses, removing Neptune as guarantor for Sprout's promissory notes, and subject to third party consents, Sprout becoming an independent trading entity. In connection with the Restructuring Agreement, a portion of the debt was transferred to MSEC and converted into shares of Sprout common stock, and MSEC was further granted warrants to purchase up to 92,495 common shares of the Company at an exercise price of $0.01 per share, expiring April 7, 2028. In addition, Sprout and MSEC entered into a Third Amended and Restated Secured Promissory Note (the "Secured Promissory Note"), amending and restating that certain Second Amended and Restated Secured Promissory Note previously issued by Sprout in favor of MSEC, to reflect, among other things, that Neptune's guaranty of the Secured Promissory Note had been released.