

**Fluent Corp.**  
(formerly Consortium Inc.)

**Consolidated Financial Statements**

**As of and for the years ended  
December 31, 2024 and 2023**

*(Expressed in thousands of United States Dollars unless otherwise stated)*

**Fluent Corp.**  
**Index to the Consolidated Financial Statements**

|                                                                                | <b><u>Page(s)</u></b> |
|--------------------------------------------------------------------------------|-----------------------|
| Independent Auditors' Report -----                                             | 3                     |
| Consolidated Statements of Financial Position -----                            | 10                    |
| Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) ----- | 11                    |
| Consolidated Statements of Changes in Shareholders' Equity -----               | 12                    |
| Consolidated Statements of Cash Flows -----                                    | 13                    |
| Notes to the Consolidated Financial Statements -----                           | 14 – 60               |

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of FLUENT Corp. (formerly Consortium Inc.)

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of FLUENT Corp. and its subsidiaries (together, the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of income (loss) and comprehensive income (loss), consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

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

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Valuation of biological assets and inventory

### *Key Audit Matter*

As described in Note 6 to the consolidated financial statements, the Company's biological assets balance as of December 31, 2024, was \$3.2 million and consisted entirely of live plants. They are measured at fair value less costs to sell at the end of each reporting period in accordance with IAS 41 – *Agriculture*. The Company applies a model that utilizes an income approach to determine the fair value less costs to sell at a specific measurement date, based on the existing cannabis plant's stage of completion up to the point of harvest.

As described in Note 7 to the consolidated financial statements, the Company's net inventory as of December 31, 2024, was \$15.2 million and consisted of harvested work-in-progress, finished goods, supplies, packaging and materials. Inventory is recorded at cost and subsequently measured at the lower of cost and net realizable value. Significant inputs and assumptions include the allocation of production and overhead costs to units produced and the incorporation of the fair value less costs to sell of biological assets at the point of harvest, which becomes the initial cost basis for inventory. These estimates require management judgment and are based on operational inputs such as yield expectations, cost accumulation by processing stage, and pricing trends. Additionally, the Company records a provision for obsolete, redundant, or slow-moving inventory, which requires significant judgment.

The valuation of biological assets and inventory was identified as a key audit matter due to the significant assumptions management applied in determining their valuation and the increased level of audit effort required to assess the reasonableness of management's assumptions and estimates.

### *How our audit addressed the key audit matter*

The primary audit procedures performed to address this key audit matter included:

- Obtained an understanding of the Company's internal control activities related to biological assets and inventory.
- Obtained an understanding of management's valuation methodologies for biological assets and inventory, including the assumptions used in estimating yields, lifecycle timing, and fair value inputs for biological assets, as well as the allocation of labor and overhead costs.
- Audited key inputs used in the biological asset valuation model, including estimated yield, loss rate, stage of growth, selling price per gram, and costs to sell, by comparing them to cultivation data, historical harvest performance, recent sales prices, and external market information.
- Evaluated the reasonableness of significant assumptions by testing inventory cost components against historical production data and supporting third-party purchase documentation for inputs such as packaging materials.
- Evaluated the appropriateness of management's methodology and the significant assumptions used in assessing net realizable value and estimating reserves for slow-moving or excess inventory, by comparing them to historical sales data, independent calculations, current selling prices and costs, and evidence obtained in other audit areas.

- Tested the mathematical accuracy of management's calculations and assessed the completeness and accuracy of the underlying data used, including calculations related to the estimated allocation between trim and flower bud and other cultivation-stage metrics that directly influence inventory valuation.
- Evaluated the appropriateness of cost of sales classifications, including considerations related to Section 280(E) of the Internal Revenue Code.
- Assessed the appropriateness of the related disclosures in the consolidated financial statements.

## **Evaluation of the impairment analysis for goodwill and intangible assets**

### *Key Audit Matter*

As described in Notes 10 and 11 to the consolidated financial statements, the carrying values of the Company's goodwill and intangible assets, net of accumulated amortization, were \$1.5 million and \$37.6 million, respectively, as of December 31, 2024. The Company conducts impairment testing annually or when a triggering event occurs that indicates the carrying value of a cash generating unit ("CGU") might exceed its recoverable amount. The Company recognized a \$64.3 million impairment loss on their intangible assets for the year ended December 31, 2024. The Company did not recognize any impairment losses on its goodwill for the year ended December 31, 2024.

We identified the evaluation of goodwill and intangible asset impairment as a key audit matter due to the high degree of auditor judgment required to assess the significant assumptions used in determining fair value estimates. This evaluation involved the use of professionals with specialized skills and knowledge. Additionally, the sensitivity of reasonably possible changes to these assumptions could have a significant impact on the fair value determination and the Company's impairment assessment.

### *How our audit addressed the key audit matter*

The primary audit procedures performed to address this key audit matter included:

- Obtained an understanding of internal controls related to management's impairment assessment process for goodwill and intangible assets.
- Assessed the appropriateness of the CGUs considered in management's impairment analysis, ensuring alignment with the Company's organizational structure and financial reporting.
- Evaluated the impairment analysis performed by a third-party valuation specialist engaged by management, including assessing key assumptions, methodologies, and consistency with relevant accounting standards.
- Reviewed the credentials and expertise of the third-party valuation firm to determine whether its personnel had the necessary qualifications, experience, and industry knowledge to perform the impairment analysis.
- Assessed the reasonableness of the Company's forecasted sales growth rates and margins by comparing growth assumptions to historical performance, industry trends, and relevant market data.

- With the assistance of our firm's valuation specialists, we tested the appropriateness of management's judgments and assumptions in its impairment analysis, including:
  - Verified the mathematical accuracy of the impairment calculations and assessed the completeness and accuracy of the underlying data used.
  - Evaluated the appropriateness of the valuation methodologies applied by management, as well as the reasonableness of key assumptions and inputs, including discount rates, market multiples, risk-free rate, and the weighted-average cost of capital.
  - Performed sensitivity analyses to assess the impact of potential changes in key assumptions on the fair value of CGUs deemed at risk of impairment.
  - Compared management's key assumptions to historical financial performance, industry and market trends, and corroborating audit evidence to assess their reasonableness.
- Assessed the appropriateness of the related disclosures in the consolidated financial statements.

## **Evaluation of uncertain tax positions**

### *Key Audit Matter*

As described in Note 13 to the consolidated financial statements, the Company has taken uncertain tax positions based on legal interpretations that challenge its tax liability under Internal Revenue Code Section 280(E) and inventory costs for tax purposes. The Company has filed amended tax returns for tax year 2022 based on these legal interpretations. Uncertainty in a tax position may arise because tax laws are subject to interpretation. The Company uses significant judgment to (1) determine whether, based on the technical merits, a tax position is more likely than not to be sustained and (2) measure the amount of tax benefit that qualifies for recognition. As of December 31, 2024, the Company's uncertain tax position was \$43.3 million.

Auditing management's estimate of the amount of tax benefit that qualifies for recognition involved especially challenging judgment because management's estimate is complex, highly subjective and based on interpretations of tax laws and legal rulings.

### *How our audit addressed the key audit matter*

The primary audit procedures performed to address this key audit matter included:

- With the assistance of our tax specialists, we assessed the technical merits of the Company's tax positions, including evaluating income tax interpretations and third-party advice from law firm obtained by the Company and the Company's process of filing tax returns with uncertain tax positions.
- Evaluated the appropriateness of the Company's accounting for its tax positions taking into consideration relevant federal and state income tax laws.
- Analyzed the Company's assumptions and data used to determine the amount of tax benefit to recognize and tested the completeness and accuracy of the calculations.

- Evaluated the adequacy of the Company's consolidated financial statement disclosures related to these tax matters.

### **Other Matter**

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on April 29, 2024.

### **Other Information**

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lazaro Hernandez.

*PKF O'Connor Davies, LLP*

New York, New York

April 17, 2025

**Fluent Corp.**
**Consolidated Statements of Financial Position**
**As of December 31, 2024 and 2023**
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                                                 | Notes | December 31,      |                   |
|-----------------------------------------------------------------|-------|-------------------|-------------------|
|                                                                 |       | 2024              | 2023              |
| <b>Assets</b>                                                   |       |                   |                   |
| Current assets                                                  |       |                   |                   |
| Cash and cash equivalents (includes \$4,500 of restricted cash) | 16(d) | \$ 40,106         | \$ 10,521         |
| Accounts receivable                                             |       | 422               | 215               |
| Biological assets                                               | 6     | 3,162             | 331               |
| Inventory, net                                                  | 7     | 15,155            | 9,244             |
| Prepaid expenses and other current assets                       | 8     | 2,587             | 1,882             |
| <b>Total current assets</b>                                     |       | <b>\$ 61,432</b>  | <b>22,193</b>     |
| Property and equipment, net                                     | 9     | 52,200            | 27,642            |
| Intangible assets, net                                          | 10    | 37,590            | 93,593            |
| Right-of-use assets, net                                        | 17    | 46,731            | 31,943            |
| Goodwill                                                        | 11    | 1,525             | 1,525             |
| Deferred tax assets                                             | 13    | 1,039             | -                 |
| Other assets                                                    | 12    | 6,476             | 907               |
| <b>Total assets</b>                                             |       | <b>\$ 206,993</b> | <b>\$ 177,803</b> |
| <b>Liabilities and shareholders' equity</b>                     |       |                   |                   |
| Current liabilities                                             |       |                   |                   |
| Accounts payable                                                | 19    | \$ 6,332          | \$ 5,525          |
| Accrued expenses                                                | 19    | 8,423             | 9,779             |
| Income taxes payable                                            | 13    | 1,003             | 22,009            |
| Derivative liabilities                                          | 14    | 2,148             | 9,109             |
| Short term provision liability                                  | 15    | 4,957             | -                 |
| Current portion of notes payable                                | 16    | 755               | 213               |
| Lease obligations - current portion                             | 17    | 4,751             | 2,872             |
| <b>Total current liabilities</b>                                |       | <b>\$ 28,369</b>  | <b>\$ 49,507</b>  |
| Long-term liabilities                                           |       |                   |                   |
| Notes payable, net of current portion and financing costs       | 16    | 68,775            | 61,189            |
| Lease obligations, net of current portion                       | 17    | 51,727            | 37,242            |
| Deferred tax liability                                          | 13    | 4,817             | 17,398            |
| Uncertain tax position                                          | 13    | 43,314            | -                 |
| Long term provision liability                                   | 15    | 9,044             | -                 |
| Convertible notes, net                                          | 16    | 6,482             | -                 |
| Other long-term liabilities                                     |       | 3,447             | 3,882             |
| <b>Total long-term liabilities</b>                              |       | <b>\$ 187,606</b> | <b>\$ 119,711</b> |
| <b>Total liabilities</b>                                        |       | <b>\$ 215,975</b> | <b>\$ 169,218</b> |
| Shareholders' equity                                            |       |                   |                   |
| Share capital                                                   | 18    | 206,419           | 183,690           |
| Share-based compensation reserve                                | 18    | 7,275             | 6,739             |
| Equity conversion feature                                       |       | 7,097             | 6,677             |
| Warrants                                                        | 18    | 29,634            | 29,634            |
| Accumulated deficit                                             |       | (258,211)         | (217,821)         |
| Accumulated other comprehensive income (loss)                   |       | (1,196)           | (334)             |
| <b>Total shareholders' equity</b>                               |       | <b>(8,982)</b>    | <b>8,585</b>      |
| <b>Total liabilities and shareholders' equity</b>               |       | <b>\$ 206,993</b> | <b>\$ 177,803</b> |
| Commitments and contingencies (Note 21)                         |       |                   |                   |
| Related party (Note 21)                                         |       |                   |                   |
| Financial instruments (Note 22)                                 |       |                   |                   |

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

Approved on behalf of the Board:

Robert Beasley

Chief Executive Officer

Patricia Fonseca

Chief Financial Officer

**Fluent Corp.**
**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**
**For the years ended December 31, 2024 and 2023**
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                                                      | Notes | Year ended         |                    |
|----------------------------------------------------------------------|-------|--------------------|--------------------|
|                                                                      |       | December 31, 2024  | December 31, 2023  |
| Revenue, net                                                         |       | \$ 103,562         | \$ 97,290          |
| Cost of goods sold                                                   |       | 53,234             | 47,814             |
| <b>Gross profit before fair value adjustments</b>                    |       | <b>50,328</b>      | <b>49,476</b>      |
| Fair value adjustments on inventory sold                             |       | (3,642)            | 12,659             |
| Unrealized gain (loss) on changes in fair value of biological assets | 6     | 7,872              | (14,602)           |
| <b>Gross profit</b>                                                  |       | <b>54,558</b>      | <b>47,533</b>      |
| <b>Operating expenses:</b>                                           |       |                    |                    |
| General and administrative                                           | 19    | 17,602             | 10,022             |
| Sales and marketing                                                  | 19    | 22,805             | 20,193             |
| Depreciation and amortization                                        |       | 7,078              | 7,414              |
| Share-based compensation                                             | 18    | 538                | 638                |
| <b>Total operating expenses</b>                                      |       | <b>48,023</b>      | <b>38,267</b>      |
| <b>Income from operations</b>                                        |       | <b>6,535</b>       | <b>9,266</b>       |
| <b>Other expense (income):</b>                                       |       |                    |                    |
| Finance costs, net                                                   | 24    | 19,952             | 17,941             |
| Net change in fair value of derivative                               | 14    | (9,684)            | 433                |
| Loss on issuance and settlement of debt, net                         | 16    | 8,725              | -                  |
| (Gain) loss on disposal of assets                                    |       | 237                | (26)               |
| Intangible assets impairment                                         | 10    | 64,285             | -                  |
| (Gain) loss on lease modifications                                   | 17    | (223)              | 67                 |
| Bargain purchase gain on business combination                        | 5     | (44,520)           | -                  |
| Loss on loan                                                         |       | 1,201              | -                  |
| Other (income) expense, net                                          |       | 262                | 7                  |
| <b>Total other expense (income)</b>                                  |       | <b>40,235</b>      | <b>18,422</b>      |
| <b>Net income (loss) before income taxes</b>                         |       | <b>(33,700)</b>    | <b>(9,156)</b>     |
| Income tax expense                                                   | 13    | 6,690              | 13,594             |
| <b>Net income (loss)</b>                                             |       | <b>\$ (40,390)</b> | <b>\$ (22,750)</b> |
| <b>Other comprehensive income (loss)</b>                             |       |                    |                    |
| Foreign currency translation adjustment                              |       | (862)              | -                  |
| <b>Comprehensive income (loss)</b>                                   |       | <b>\$ (41,252)</b> | <b>\$ (22,750)</b> |
| <b>Net loss per share - basic and diluted</b>                        | 18    | <b>\$ (0.13)</b>   | <b>\$ (0.08)</b>   |

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

**Fluent Corp.**
**Consolidated Statements of Changes in Shareholders' Equity**
**For the years ended December 31, 2024 and 2023**
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                                                | Share capital                        |                               |            | Reserves                         |                           |           |                     | Accumulated other comprehensive loss |            | Total shareholders' equity |
|----------------------------------------------------------------|--------------------------------------|-------------------------------|------------|----------------------------------|---------------------------|-----------|---------------------|--------------------------------------|------------|----------------------------|
|                                                                | Number of unrestricted common shares | Number of exchangeable shares | Amount     | Share-based compensation reserve | Equity conversion feature | Warrants  | Accumulated deficit |                                      |            |                            |
| Balance, December 31, 2022                                     | 264,959,743                          | -                             | \$ 180,954 | \$ 6,395                         | \$ 6,677                  | \$ 28,939 | \$ (195,071)        | \$ (334)                             | \$ 27,560  |                            |
| Shares issued for professional services (Note 18 a.)           | 4,569,624                            | -                             | 439        | -                                | -                         | -         | -                   | -                                    | 439        |                            |
| Issuance of options                                            | -                                    | -                             | -          | 154                              | -                         | -         | -                   | -                                    | 154        |                            |
| Issuance of restricted stock units                             | -                                    | -                             | -          | 195                              | -                         | -         | -                   | -                                    | 195        |                            |
| Cancellation of options                                        | -                                    | -                             | -          | (5)                              | -                         | -         | -                   | -                                    | (5)        |                            |
| Private placement issuance of shares and warrants (Note 18 b.) | 30,000,000                           | -                             | 2,297      | -                                | -                         | 695       | -                   | -                                    | 2,992      |                            |
| Net loss                                                       | -                                    | -                             | -          | -                                | -                         | -         | (22,750)            | -                                    | (22,750)   |                            |
| Balance, December 31, 2023                                     | 299,529,367                          | -                             | \$ 183,690 | \$ 6,739                         | \$ 6,677                  | \$ 29,634 | \$ (217,821)        | \$ (334)                             | \$ 8,585   |                            |
| Common shares issued in business combination (Note 18 e.)      | 171,547,344                          | -                             | 12,014     | -                                | -                         | -         | -                   | -                                    | 12,014     |                            |
| Exchangable shares issued in business combination (Note 18 d.) | -                                    | 153,069,395                   | 10,715     | -                                | -                         | -         | -                   | -                                    | 10,715     |                            |
| Restricted stock units and options (Note 18)                   | 364,845                              | -                             | -          | 306                              | -                         | -         | -                   | -                                    | 306        |                            |
| Shares issued for board fees (Note 18 c.)                      | 865,382                              | -                             | -          | 230                              | -                         | -         | -                   | -                                    | 230        |                            |
| Issuance of Bridge Note (Note 16 h.)                           | -                                    | -                             | -          | -                                | 420                       | -         | -                   | -                                    | 420        |                            |
| Net loss                                                       | -                                    | -                             | -          | -                                | -                         | -         | (40,390)            | -                                    | (40,390)   |                            |
| Other comprehensive loss, net of tax                           | -                                    | -                             | -          | -                                | -                         | -         | -                   | (862)                                | (862)      |                            |
| Balance, December 31, 2024                                     | 472,306,938                          | 153,069,395                   | \$ 206,419 | \$ 7,275                         | \$ 7,097                  | \$ 29,634 | \$ (258,211)        | \$ (1,196)                           | \$ (8,982) |                            |

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

**Fluent Corp.**
**Consolidated Statements of Cash Flows**
**For the years ended December 31, 2024 and 2023**
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                                                                        | Year ended        |                   |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                        | December 31, 2024 | December 31, 2023 |
| <b>Cash flows used in operating activities</b>                                         |                   |                   |
| Net loss                                                                               | \$ (40,390)       | \$ (22,750)       |
| <b>Adjustments for non-cash items:</b>                                                 |                   |                   |
| Bargain purchase gain on business combination                                          | (44,520)          | -                 |
| Loss on issuance and extinguishment of debt instruments, net                           | 8,225             | -                 |
| Intangible assets impairment                                                           | 64,285            | -                 |
| Unrealized (gain) loss on changes in fair value of biological assets                   | (7,872)           | 14,602            |
| Realized (gain) loss on fair value amounts included in inventory sold                  | 3,642             | (12,659)          |
| Share-based compensation expense                                                       | 538               | 638               |
| Inventory write-down                                                                   | 81                | -                 |
| Depreciation and amortization                                                          | 14,995            | 15,078            |
| Accretion and interest expense                                                         | 20,012            | 26,788            |
| Gain on lease modification                                                             | (223)             | -                 |
| Net change in fair value of derivative                                                 | (9,684)           | 433               |
| Loss on dispositions of fixed assets                                                   | 237               | 253               |
| Uncertain tax position                                                                 | 43,314            | -                 |
| Deferred tax recovery                                                                  | (12,850)          | (2,892)           |
| Changes in non-cash working capital                                                    |                   |                   |
| Accounts receivable                                                                    | 24                | (187)             |
| Inventory                                                                              | 20,087            | 15,596            |
| Biological assets                                                                      | (17,551)          | (17,145)          |
| Prepaid expenses and other current assets                                              | 1,464             | (999)             |
| Right of use assets / liabilities                                                      | (4,840)           | (3,698)           |
| Other assets                                                                           | (492)             | 661               |
| Accounts payable                                                                       | 805               | (1,400)           |
| Accrued liabilities                                                                    | (8,430)           | 4,390             |
| Income taxes                                                                           | (18,902)          | 10,806            |
| Other long-term liabilities                                                            | (435)             | 2,549             |
| <b>Net cash provided by operating activities before income taxes and interest paid</b> | <b>11,520</b>     | <b>30,064</b>     |
| Cash interest paid                                                                     | (7,642)           | (8,860)           |
| Income taxes received (paid), net                                                      | (2,104)           | (2,749)           |
| <b>Net cash provided by operating activities</b>                                       | <b>\$ 1,774</b>   | <b>\$ 18,455</b>  |
| <b>Cash flows provided by (used in) investing activities</b>                           |                   |                   |
| Cash acquired through business combination                                             | \$ 39,501         | \$ -              |
| Purchase of property and equipment                                                     | (16,173)          | (6,019)           |
| Purchase of intangible assets                                                          | (1,332)           | (319)             |
| <b>Net cash provided by (used in) investing activities</b>                             | <b>\$ 21,996</b>  | <b>\$ (6,338)</b> |
| <b>Cash flows provided by (used in) financing activities</b>                           |                   |                   |
| Proceeds from issuance of convertible notes, net of financing costs                    | \$ 8,975          | \$ -              |
| Proceeds from issuance of shares and warrants                                          | -                 | 2,992             |
| Proceeds from term loan, net of financing costs                                        | 68,976            | -                 |
| Repayments of principal on term loan                                                   | (67,173)          | (8,533)           |
| Net proceeds from equipment loan                                                       | 48                | -                 |
| Payment of notes principal                                                             | (1,335)           | (2,033)           |
| Payment of lease principal                                                             | (2,814)           | (2,381)           |
| <b>Net cash provided by (used in) financing activities</b>                             | <b>\$ 6,677</b>   | <b>\$ (9,955)</b> |
| Net increase in cash and cash equivalents                                              | \$ 30,447         | \$ 2,162          |
| Effect of foreign exchange rate movements on cash held                                 | (862)             | -                 |
| Cash, beginning of period                                                              | 10,521            | 8,359             |
| <b>Cash, end of period</b>                                                             | <b>\$ 40,106</b>  | <b>\$ 10,521</b>  |

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

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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**1. Nature of Operations**

Fluent Corp. (formerly Consortium Inc.) was incorporated under the laws of the Province of Ontario, Canada pursuant to the Ontario Business Corporations Act. ("OBCA") on August 31, 2018. The Company's registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H2V1 and its head office is located at 5540 W. Executive Drive, Suite 100, Tampa, Florida 33609.

The Company, through its subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas and is licensed to sell medical cannabis in Pennsylvania. In Pennsylvania, the Company's product portfolio is comprised of a variety of third-party branded medical cannabis products.

Through its acquisition of RIV Capital Inc. on December 19, 2024, the Company is licensed to produce and sell both medical and adult-use cannabis in New York. See Note 5 for further details.

The Company's medical and adult-use cannabis products are offered in oral drops, capsules, topicals, syringes, dried flower, pre-rolls, cartridges, concentrates, and edibles.

The Company's operations are organized into four operating segments, resulting in one reportable segment. All revenues for the year ended December 31, 2024 and 2023, were generated in the United States.

**2. Basis of Preparation****(a) Statement of compliance**

The annual consolidated financial statements (the "consolidated financial statements") of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due for the near future.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 17, 2025.

The Company has evaluated the applicability of the IFRS Sustainability Disclosure Standards, including IFRS S1 and IFRS S2, for the current reporting period. The Company operates exclusively through indoor cannabis cultivation facilities and, based on this model, has assessed its direct exposure to climate-related physical risks as limited.

However, the Company acknowledges that indoor operations may still contribute to environmental impact through high energy consumption, reliance on artificial lighting and HVAC systems, water usage, and waste generation. These activities may give rise to transitional risks over time, including changes in energy regulation, carbon pricing mechanisms, local environmental ordinances, and stakeholder expectations regarding sustainability performance.

While climate-related risks and opportunities are not currently assessed as material to the Company's financial position, performance, or prospects, management continues to monitor evolving regulatory and market developments. The applicability of IFRS S1 and IFRS S2 will be reassessed periodically to ensure ongoing compliance with sustainability-related disclosure requirements

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***(b) Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets, derivative and provision liabilities, and biological assets which are measured at fair value at the financial reporting date.

Historical cost is the fair value of the consideration given in exchange for goods and services measured at the time of the transaction.

**(c) Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly and majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are considered. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the consolidated statement of income (loss) and comprehensive income (loss) and in the consolidated statement of changes in shareholders' equity. The results of subsidiaries acquired during the year are consolidated from the date of acquisition. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are included in these consolidated financial statements and the ownership interest held as of December 31, 2024 and 2023, respectively.

|                                 | <b>% Ownership<br/>December 31, 2024</b> | <b>% Ownership<br/>December 31, 2023</b> |
|---------------------------------|------------------------------------------|------------------------------------------|
| Consortium Holdings LLC         | 100%                                     | 100%                                     |
| Consortium Pennsylvania, LLC    | 100%                                     | 100%                                     |
| Consortium Puerto Rico, LLC     | 100%                                     | 100%                                     |
| Consortium Texas, LLC           | 100%                                     | 100%                                     |
| Consortium Canada Holdings Inc. | 100%                                     | 100%                                     |
| Fluent Servicing, LLC           | 100%                                     | 100%                                     |
| Consortium Brazil Ltda.         | 100%                                     | 100%                                     |
| Consortium Florida, LLC         | 100%                                     | 100%                                     |
| Spirit Lake Road Nursery, LLC   | 100%                                     | 100%                                     |
| Cavern Capital Holdings LLC     | 100%                                     | 100%                                     |
| Fluent Hemp LLC                 | 100%                                     | 100%                                     |
| Consortium International Inc.   | 100%                                     | 100%                                     |
| Trick Tail Capital LLC          | 100%                                     | 100%                                     |
| RIV Capital Inc.                | 100%                                     | n.a.                                     |
| 2683922 Ontario Inc.            | 100%                                     | n.a.                                     |
| RIV Capital US Corp.            | 100%                                     | n.a.                                     |
| RIV Capital US Services LLC     | 100%                                     | n.a.                                     |
| Allgro Holdings LLC             | 100%                                     | n.a.                                     |
| Etain, LLC                      | 100%                                     | n.a.                                     |

**3. Material Accounting Policy Information****(a) Cash and cash equivalents**

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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Cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

**(b) Foreign currency translation**

The consolidated financial statements are presented in thousands of United States (“U.S.”) dollars unless otherwise stated. The functional currency of the Company’s U.S. subsidiaries is the U.S. dollar. The functional currency of the Company’s Canadian subsidiaries is the Canadian dollar. The functional currency of the Company’s Brazilian subsidiary is the Brazilian real. The functional currency of the Company’s Colombian subsidiary is the Colombian peso.

The assets and liabilities of foreign operations are translated into U.S. dollars at period end exchange rates. Income, expenses, and cash flows of foreign operations are translated into U.S. dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in accumulated other comprehensive income (loss) in shareholders’ equity.

Foreign currency transactions are translated into the Company’s functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

The assets and liabilities of foreign operations are translated into U.S. dollars at period end exchange rates. Income, expenses, and cash flows of foreign operations are translated into U.S. dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in comprehensive loss within in shareholders’ equity.

**(c) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred, except for the costs incurred to issue debt or equity securities which are recognized according to specific requirements.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a bargain purchase gain.

The consideration transferred to obtain control of an acquiree in a business combination consists of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. It includes contingent consideration and certain elements of share-based payment awards exchanged for awards held by the acquiree’s employees. Contingent consideration for a business combination is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as a liability is measured at subsequent reporting dates at fair value with

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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the corresponding gain or loss being recognized in the consolidated statement of income (loss) and comprehensive income (loss). If the acquiree's former owners contractually indemnify the Company for a particular uncertainty, an indemnification asset is recognized on a basis that matches the indemnified item, subject to the contractual provisions or any collectability considerations.

A "pre-existing relationship" is any relationship that existed between the acquirer and the acquiree before the business combination was contemplated. Such relationships may be contractual or non-contractual, and include lender and borrower relationships. Because the acquirer consolidates the acquiree following a business combination, pre-existing relationships are effectively settled as a result of the combination. Therefore, such pre-existing relationships are accounted for separately from the business combination. If settlement of a pre-existing relationship is contemplated as part of the business combination and settled prior to the consideration transferred, it is reflected as such within the consideration transferred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted, or additional assets or liabilities are recognized, during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that time. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of loss and comprehensive loss.

**(d) Biological assets**

The Company measures biological assets, which consist of cannabis plants, at fair value less costs to sell ("FVLCS") up to the point of harvest, which becomes the basis for the cost of internally-produced harvested cannabis and finished goods inventory after harvest. These costs are then recorded within cost of goods sold in the consolidated statements of loss and comprehensive loss on a systematic basis as final products are sold. Unrealized gains or losses arising from changes in FVLCS during the period are recorded in the consolidated statements of loss and comprehensive loss.

Production costs related to biological assets are capitalized. These costs include the direct costs of seeds and growing materials and consumables, as well as other indirect costs such as utilities and supplies used in the growing process. The cost of direct and indirect labor for individuals involved in the growing and quality control processes is also capitalized, as well as depreciation on production equipment, and overhead costs such as rent and right-of-use asset amortization to the extent it is associated with the growing space. Unrealized fair value gains or losses on the growth of biological assets are reported in a separate line on the face of the consolidated statements of loss and comprehensive loss.

The Company capitalizes costs incurred after harvest to bring the products to their present location and condition in accordance with IAS 2, *Inventories*. Inventory includes harvested work-in-progress, finished goods, supplies, packaging and materials. Cost is determined using the average cost method.

The direct and indirect costs of inventory initially include the fair value of the biological assets at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within "cost of goods sold" on the consolidated statements of loss and comprehensive loss at the time cannabis is sold,

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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except for realized fair value amounts included in inventory sold, which are recorded as a separate line on the consolidated statements of loss and comprehensive loss.

Inventory is measured at the lower of cost or net realizable value on the consolidated statements of financial position. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs to sell. The Company reviews inventory for obsolete, redundant, and slow-moving goods and any such inventory is written down to net realizable value.

**(e) Inventory**

Inventory includes harvested work-in-progress, finished goods, supplies, packaging and materials. Cost is determined using the average cost method.

The direct and indirect costs of inventory initially include the FVLCS of the biological assets at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in manufacturing, processing, packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within "cost of goods sold" on the consolidated statements of loss and comprehensive loss at the time cannabis is sold, except for realized FVLCS amounts included in the carrying value of inventory sold, which are presented as a separate line on the consolidated statements of loss and comprehensive loss.

Inventory is measured at the lower of cost or net realizable value on the consolidated statements of financial position. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs to sell. The Company reviews inventory for obsolete, redundant, and slow-moving goods at each reporting date and any such inventory is written down to net realizable value. Inventory write-downs are recorded in the consolidated statements of income (loss) through cost of goods sold.

The Company measures biological assets, which consist of cannabis plants, at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of internally-produced harvested cannabis and finished goods inventory after harvest. These costs are then recorded within cost of goods sold in the consolidated statements of loss and comprehensive loss on a systematic basis as final products are sold. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are recorded in the consolidated statements of loss and comprehensive loss.

Production costs related to biological assets are capitalized. These costs include the direct costs of seeds and growing materials and consumables, as well as other indirect costs such as utilities and supplies used in the growing process. The cost of direct and indirect labor for individuals involved in the growing and quality control processes is also capitalized, as well as depreciation on production equipment, and overhead costs such as rent and right-of-use asset amortization to the extent it is associated with the growing space. Unrealized fair value gains or losses on the growth of biological assets are reported in a separate line on the face of the consolidated statements of loss and comprehensive loss.

The Company capitalizes costs incurred after harvest to bring the products to their present location and condition in accordance with IAS 2, *Inventories*.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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**(f) Property and equipment**

Property and equipment is measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset, including eligible borrowing costs. Expenditures incurred relating to ordinary repairs and maintenance are expensed as incurred unless they meet the criteria for capitalization. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms:

|                         |                                                                   |
|-------------------------|-------------------------------------------------------------------|
| Land                    | Not depreciated                                                   |
| Furniture and fixtures  | 7 Years                                                           |
| Computer equipment      | 3-7 Years                                                         |
| Manufacturing equipment | 7 Years                                                           |
| Leasehold improvements  | Straight line over the lesser of useful life or term of the lease |
| Buildings               | 20 Years                                                          |
| Vehicles                | 10 Years                                                          |

The Company assesses an asset's residual value, useful life and method of depreciation on an annual basis and if any events have indicated a change, then adjustments are made as required. An item of property or equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gains or losses arising from derecognition of an asset are calculated as the difference between the net disposal proceeds and the carrying value of the asset and are recognized in the consolidated statements of loss and comprehensive loss.

Costs incurred by the Company for tangible assets of property and equipment that are under construction are capitalized to Property, Plant and Equipment as incurred. Depreciation on tangible assets under construction does not commence until the assets are ready for use, that is, when the assets are in the location and condition capable of operating in the manner intended by management.

The Company's policy on impairment of property and equipment is included in Note 3(j).

**(g) Right of use assets and lease obligations**

The right-of-use asset is a lessee's right to use a leased asset over the term of a lease. The asset is calculated as the initial amount of the lease obligation, along with any lease payments made to the lessor before the lease commencement date, in addition to any initial direct costs incurred, excluding any lease incentives received.

Lease obligations are calculated as present value of the lease payments at the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate. Non-lease components such as insurance, maintenance costs, property tax, and other operating expenses are expensed as incurred within "cost of goods sold" or "general and administrative expenses", as applicable, in the consolidated statements of income (loss) and comprehensive income (loss).

After the commencement date, the Company recognizes depreciation and impairment of the right-of-use assets and the interest on the lease obligations in the consolidated statement of income (loss) and comprehensive income (loss). Depreciation on right-of-use assets is calculated based on the shorter of

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

the lease term or the estimated useful life, which range from 5 to 12 years. Lease payments that are not fixed and vary based on a variable other than an index or rate are expensed as incurred.

**(h) Intangible assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Other intangible assets with a definite useful life are amortized over the estimated useful lives which are as follows:

|                       |         |
|-----------------------|---------|
| Trademarks and brands | 5 years |
| Renewable licenses    | 2 Years |

Cannabis licenses rights and intellectual property acquired in a business combination are recognized initially at fair value at the acquisition date and have an indefinite useful life. The cannabis license in Florida and New York acquired through business combination have an indefinite useful life. Cannabis are capitalized and amortized on a straight-line basis over the term of the license.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statements of income (loss) and comprehensive income (loss) as incurred.

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization, but are tested for impairment annually.

**(i) Goodwill**

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses, if any. The Company monitors goodwill at the cash-generating unit ("CGU") level and accordingly for the purpose of impairment testing, goodwill has been allocated to a CGU or CGU group, as applicable. Goodwill is tested annually for impairment at year end, or more frequently when there is an indication that goodwill may be impaired. If the recoverable amount, representing the higher of its fair value less cost to sell and its value in use, of the group of CGUs is less than its carrying amount, any resulting impairment loss is first allocated to goodwill and subsequently to other assets on a pro rata basis, but not below the fair value of the assets, for each CGU. Any goodwill impairment loss is recorded in the consolidated statements of income (loss) and comprehensive income (loss) in the period of impairment. Previously recognized impairment losses for goodwill are not reversed in subsequent periods.

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

The Company reviews goodwill and indefinite lived intangibles for impairment at the reporting unit level at least annually at October 1, or when events or circumstances dictate, more frequently. At the time of a business combination, goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. The Company first performs a qualitative assessment to determine if it is more-likely-than-not that the reporting unit's carrying value, which includes goodwill and intangibles, is less than its fair value, indicating a potential for impairment, and therefore requiring a quantitative assessment. If the Company determines that a

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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quantitative impairment test is required, the Company typically uses a combination of an income approach, i.e., a discounted cash flow calculation, and a market approach, i.e., using a market multiple method, to determine the fair value of each reporting unit, and then compare the fair value to its carrying amount to determine the amount of impairment, if any. If a reporting unit's fair value is less than its carrying amount, the Company would record an impairment charge based on that difference, up to the amount of goodwill and intangibles allocated to that reporting unit. The quantitative impairment test requires the application of a number of significant assumptions, including estimated revenue growth rates, profit margins, terminal value growth rates, market multiples, and discount rates. The projections of future cash flows used to assess the fair value of the reporting units are based on the internal operation plans reviewed by management. The market multiples are based on comparable public company multiples. The discount rates are based on the risk-free rate of interest and estimated risk premiums for the reporting units at the time the impairment analysis is prepared or such evaluation date.

**(k) Provision liabilities**

Provisions are recognized on the consolidated statements of financial position when the Company has a present legal or constructive obligation based on past events, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reasonably estimated. Provisions are measured at the present value of the estimated expenditure expected to settle the obligation, if the effect of the time value of money is material.

**(l) Income taxes**

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

The IRS has taken the position that cannabis operators are subject to the limits of IRC Section 280E under which a tax filer is permitted only to deduct expenses directly related to costs of goods sold. The Company's position is that the limits of IRC Section 280E do not apply to its business.

Current tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax assets and liabilities are presented separately unless there is a legal right to offset.

Deferred tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets not recognized are disclosed in the notes where

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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recoverability is uncertain due to lack of expected taxable income. Deferred tax assets may include carryforwards of unused tax losses and credits, subject to recoverability assessment.

Deferred tax assets and liabilities are offset only when the Company has the right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**Uncertain tax position**

In accordance with IAS 12 – *Income taxes*, the Company recognizes current and deferred tax liabilities for uncertain tax positions (“UTP”s) based on the best estimate of the amount expected to be paid to the tax authorities. The Company assesses UTPs using the most likely amount method. The recognition and measurement of UTPs consider the following:

- The technical merits of the tax position, including relevant tax laws and legal precedents.
- The likelihood that the tax authorities will accept or challenge the position.
- Any additional information that becomes available up to the reporting date.

A liability is recorded when it is probable that the entity will be required to make a tax payment. Changes in estimates of UTPs are reflected in the financial statements in the period in which new information becomes available.

Where interest and penalties on uncertain tax positions are considered to be a component of income tax under local tax law, they are recognized and measured in accordance with IAS 12 and included within the income tax expense in the statement of income (loss) and comprehensive income (loss). The Company has determined that the interest and penalties are directly related to income taxes and therefore includes them as current income tax expense.

**(m) Revenue**

Revenue is recognized by the Company in accordance with IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company follows the following steps for accounting for revenue from contracts with customers:

1. Identify the contract with a customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligation(s) are satisfied

Revenue from the direct sale of cannabis to customers for a fixed price is recognized when the Company transfers control of the goods to the customer at the point of sale and the customer has paid for the goods.

The Company has loyal points programs (the “Loyalty Programs”) for its medical cannabis retail sales that allow patients to earn loyalty points to be used on future purchases. The Company estimates the stand-alone selling price of the loyalty points awarded under the Loyalty Program. The stand-alone

selling price is calculated by multiplying the estimated redemption rate and the monetary value assigned to the loyalty points. In estimating the redemption rate the Company considers breakage which represents the portion of the points issued that will never be redeemed. The redemption rate is updated on a quarterly basis and the liability for unredeemed loyalty points is adjusted accordingly. In estimating the fair value of the loyalty points issued the Company considers the products available to customers in exchange for loyalty points and customers' preferences. The Company ensures the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption.

The Company's loyalty points expire one year after the loyalty points are earned.

Local authorities will often impose special taxes on the sale or production of cannabis products. Excise taxes are effectively a production tax that is payable on the gross receipts from medical cannabis sold by an operator to a certified patient or designated caregiver.

The medical excise tax and adult-use distribution tax in New York (formerly, the adult-use potency tax) are borne by the Company and are not taxes on the patient or customer. As such, these taxes are included in revenue. The line item "Revenue, net" in the consolidated statements of loss and comprehensive loss represents the Company's revenue as defined by IFRS, less any applicable medical excise taxes and New York adult-use distribution taxes.

**(n) Share-based compensation**

The Company recognizes compensation expense for all share-based awards, including stock options and restricted stock units ("RSUs"), granted to its employees and directors at the fair value of the awards on the date of grant. The Company uses the Black-Scholes valuation model to determine the grant-date fair value of stock options. Share-based compensation expense is recognized over the vesting period using the graded-vesting method based on the Company's estimate of equity instruments that will eventually vest. The impact of the revision of the original estimate is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

Where the terms and conditions of equity instruments are modified before they vest, the increase in the fair value of the equity instruments, measured immediately before and after the modification, is recognized within the consolidated statement of income (loss) and comprehensive income (loss).

**(o) Basic and diluted net loss per share**

Basic income (loss) earnings per share ("EPS") is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted EPS is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Convertible debt, exchangeable shares, and other equity instruments are assessed for dilution on an "if-converted" basis.

When a loss is incurred during a period, basic and diluted loss per share is the same because the exercise of share equivalents is then considered to be "anti-dilutive".

**(p) Borrowing costs**

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets for periods preceding the dates the assets are available for their intended use. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs begins when expenditures and borrowing costs are incurred, and activities necessary to prepare the qualifying asset are in progress. Capitalization ceases when the asset is ready for its intended use or sale.

**(q) Financial instruments** *(See also Note 22)*

**Financial assets**

*Recognition and initial measurement*

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

*Classification and subsequent measurement*

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

Financial assets are classified as follows:

- Amortized cost – Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in the consolidated statements of loss and comprehensive loss when incurred.
- Fair value through other comprehensive income – Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of financial assets are recognized in comprehensive income.
- Mandatorily at fair value through profit or loss – Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

In certain cases, the Company may make the following irrevocable designation/election at initial recognition of a financial asset, on an asset-by-asset basis:

- The Company may designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVTOCI.

*Business model assessment*

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

*Contractual cash flow assessment*

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

*Impairment*

The Company recognizes a loss allowance for the expected credit losses ("ECLs") associated with its financial assets, other than financial assets measured at fair value through profit or loss.

ECLs represent a probability-weighted estimate of the present value of expected credit losses, discounted at the effective interest rate. The Company recognizes a loss allowance for ECLs on its financial assets that are not measured at FVTPL, comprised of its accounts receivable. No impairment loss is recognized for investments in equity instruments accounted for under IFRS 9.

The quantum of ECLs is updated at each reporting date to reflect changes in the credit risk associated with each respective financial instrument since initial recognition.

Where the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECLs. The ECLs on these financial assets are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, giving consideration to collateral and reasonable and supportable information about past events, current economic conditions, and forecasts of future events. The estimation and application of forward-looking information requires significant judgement. The Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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The gross balance of a financial asset is written-off, and its corresponding ECL provision is derecognized, when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off when due. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries made would be recognized in profit or loss at the time of recovery.

An impairment with respect to a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or, in the case of amounts receivable, are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through profit or loss.

**Derecognition of financial assets**

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expires, or when a transaction qualifies as a transfer.

**Financial liabilities****Recognition and initial measurement**

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

Compound financial instruments are instruments that contain both a financial liability (such as an obligation to make payments of principal and interest) and an equity component (such as an equity conversion feature). Compound financial instruments are accounted for by the issuer separately by their components based on the substance of the instrument. If the equity conversion feature results in the issuance of a fixed number of an entity's own equity instruments (the "fixed-for-fixed" criteria), the equity conversion feature will be treated as equity. If the fixed-for-fixed criteria is not met, the equity conversion feature is an embedded derivative and is measured at FVTPL.

**Classification and subsequent measurement**

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

**Derecognition of financial liabilities**

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

**Derivative liabilities**

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

Derivative liabilities are initially recognized at fair value at the date on which the derivative contract was entered into. Any attributable transaction costs are recognized in the consolidated statements of income (loss) and comprehensive income (loss) as incurred.

Subsequent to initial recognition, derivative liabilities are measured at fair value at each reporting date until settlement, with the re-measurement gain or loss being recognized immediately in the consolidated statements of income (loss) and comprehensive income (loss).

*Classification of financial assets and financial liabilities*

The Company's financial assets and liabilities are classified as outlined below:

|                             | <u>Classification</u>   |
|-----------------------------|-------------------------|
| Cash and cash equivalents   | Amortized cost          |
| Accounts receivable         | Amortized cost          |
| Accounts payable            | Amortized cost          |
| Accrued expenses            | Amortized cost          |
| Derivative liabilities      | FVTPL                   |
| Notes payable               | Amortized cost          |
| Lease obligations           | Amortized cost          |
| Provision liability         | Amortized cost          |
|                             | By component; amortized |
| Convertible notes           | cost or FVTPL           |
| Other long-term liabilities | Amortized cost          |

**(r) Segment reporting**

An operating segment is a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the entity's Chief Operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and that engaged in business activities from which it may earn revenue and incur expenses.

The Company's chief operating decision maker ("CODM") is represented by key management personnel. The Company cultivates, manufactures processes, distributes, and sells cannabis products across four states, in both medical and adult-use markets (where state regulations permit), and through retail and wholesale channels (where state regulations permit). The CODM reviews Company performance by geographic area. For management purposes, during the year ended December 31, 2024, the Company was organized into the following operating segments:

- Florida cannabis operations
- New York cannabis operations
- Pennsylvania cannabis operations
- Texas cannabis operations

As permitted under IFRS 8, *Operating Segments*, the Company applies aggregation criteria across its identified operating segments based on similarity in products sold, production processes, customer base, and delivery methods. As such, the Company has one reportable segment, being its U.S. cannabis platform.

**(s) Accounting standards and amendments issued and adopted**

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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*Amendments to IAS 1, Classification of Liabilities as Current or Non-current*

On January 23, 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments address inconsistencies with how entities classify current and non-current liabilities. The amendments serve to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the statements of financial position. The amendments are effective on January 1, 2024. The Company's adoption of the IAS 1 amendment did not have a material impact on the consolidated financial statements.

Certain other new accounting standards, amendments, and interpretations have been published that are effective in the current period and are either not applicable to the Company or have been assessed by the Company and do not have a material impact on results.

**Accounting standards and amendments issued but not yet adopted or effective***IFRS 18, Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which replaces IAS 1, *Presentation of Financial Statements*. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 introduces a defined structure for the statement of income (or loss), where companies will be required to present separate categories of income and expenses for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of income (or loss) must be classified into one of five categories (operating, investing, financing, taxes on income, and discontinued operations), it may impact the entity's operating income. The publication of IFRS 18 has also resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, *Statement of Cash Flows*, and IAS 34, *Interim Financial Reporting*.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted, but will need to be disclosed. The Company is currently assessing the impact of IFRS 18, including the impact of the consequential amendments to other accounting standards, on its consolidated financial statements. The Company expects IFRS 18 will result in changes in the way financial information is organized and presented internally to align with the standard's structure. The Company will also assess alignment of IFRS 18 requirements with its reportable segment disclosures under IFRS 8.

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*Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments*

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments* (“IFRS 9”) and IFRS 7, *Financial Instruments: Disclosures* (“IFRS 7”). The amendments clarify the date of recognition and derecognition of financial assets and liabilities, clarify and add further guidance for assessing whether a financial asset meets the “solely payments of principal and interest” criterion, add new disclosures for financial instruments with contractual terms that can change cash flows, and update the disclosure for equity investments designated at FVTOCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier adoption permitted. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Certain other new amendments and interpretations have been published that are effective in future annual reporting periods that are either not reasonably expected to be relevant for the Company or are not anticipated to have a material impact on results. The Company intends to adopt these standards when they become effective.

#### **4. Critical Accounting Estimates and Judgments**

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates.

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

Critical judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

*(i) Business combinations*

In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities.

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total future net cash flows expected to be derived from the asset. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period may last up to one year from the acquisition date. In estimating the fair value of a financial asset or a liability, the Company uses market-observable data to the extent it is available. Where such “Level 1” inputs are not available, the Company uses various valuation

models to determine the fair value of its financial instruments that maximize the use of observable inputs and minimize the use of unobservable inputs.

*(ii) Biological assets and inventory*

In calculating the value of biological assets and inventory, management is required to make several estimates, including the stage of growth of the plant up to the point of harvest, harvesting costs, average or expected selling prices and expected yields for the plants. In calculating final inventory values, management compares the inventory cost to estimated net realizable value. Further information on estimates used in determining the fair value of biological assets is included in Note 6.

*(iii) Estimated useful lives and depreciation of property and equipment, and impairment of intangible assets*

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives based on management's judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts considering factors such as economic and market conditions and the useful lives of assets.

Goodwill and indefinite life intangible asset impairment testing require management to make estimates in the impairment testing model. Annually, the Company tests whether goodwill and indefinite life intangible assets are impaired.

Impairment of definite long-lived assets is influenced by judgment in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses.

The recoverable value of goodwill, indefinite and definite long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

*(iv) Loyalty Program liability*

In calculating the Company's Loyalty Programs liability, the Company uses historical and industry forfeiture rates. The key assumptions used for the rate are based on the available lookback of the Company's customers historical forfeiture rates.

*(v) Derivative liabilities*

In calculating the fair value of its derivative liabilities, the Company uses either the Black-Scholes model or the Monte-Carlo simulation model, for Level 3 recurring fair value measurements to estimate fair value at each reporting date. The key assumptions used in the models are similar and include the expected future volatility in the price of the Company's shares, the fair value of the price of the Company's shares and the expected life of the underlying instrument.

*(vi) Leases*

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

*(vii) Convertible debentures*

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability component is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

*(viii) Going concern*

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

*(ix) Income taxes and recoverability of potential deferred tax assets*

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability.

The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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*(x) Determining the unit of account*

In circumstances where the Company enters into multiple transactions with the same party, and during the same time, the Company must determine whether these transactions should be accounted for by the substance of the rights and obligations, or from the legal form of the individual contracts. In determining the unit of account for the transactions, management uses judgment to consider the terms of the contracts, timing of when the contracts were entered into, who they were entered into with, the fair value of the contracts and whether the series of transactions were designed to achieve an overall commercial effect. All terms in a contract are considered unless they have no substance. Terms have no substance if there is no overall commercial effect. A group of contracts may achieve, or be designed to achieve, an overall commercial effect. In these cases, it may be necessary to treat the rights and obligations arising from that group of contracts as a single unit of account.

When determining fair value at initial recognition, management considers factors specific to the transaction and to the asset or liability. Fair value is considered the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Judgment is required by management to determine when the transaction price may not represent the fair value of an asset or a liability at initial recognition. This could be the case for transactions between related parties, transactions that take place under duress, or when the unit of account represented by the transaction price is different from the unit of account for the asset or liability measured at fair value.

Where management has determined that a transaction should be accounted for based on its substance, the transaction is measured according to the significant accounting policy for each financial statement element of the transaction, allocating fair value where applicable. See Notes 16(f) and 17(b).

**5. Business Combination**

On May 30, 2024, the Company and RIV Capital Inc. ("RIV Capital") entered into a definitive arrangement agreement pursuant to which the Company would acquire all of the issued and outstanding Common Shares in exchange for common shares of the Company (the "RIV Transaction"). RIV Capital, through its subsidiary Etain LLC, is a vertically integrated cannabis company licensed in New York state to cultivate, manufacture, process, and distribute both medical and adult-use cannabis in both retail and wholesale markets. Through the RIV Transaction, the Company would have access to cannabis operations in New York state and have access to RIV Capital's significant cash balance, which will enable the Company to continue its growth objectives. Expected synergies include cultivation, processing, and operating efficiencies, corporate integration and elimination of duplicative public company costs in the combined company.

On December 19, 2024, following receipt of requisite shareholder and regulatory approvals, the RIV Transaction was effected and RIV Capital shareholders received 1.245 Fluent common shares in exchange for each RIV share held. This resulted in the issuance of 171,547,344 Fluent common shares. As the Company acquired 100% of the issued and outstanding common shares of RIV Capital, there is no resulting non-controlling interest.

In connection with the RIV Transaction, the Company created a new class of non-voting exchangeable shares (the "Fluent Exchangeable Shares") that are convertible into Fluent common shares on a one-for-one basis. The Company issued 153,069,395 to The Hawthorne Collective, a previous creditor of RIV Capital, at closing. See Note 18d.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

The Company incurred legal and advisory costs of \$4,089 in connection with the RIV Transaction. These costs are included within “general and administrative” expenses on the consolidated statements of income (loss) and comprehensive income (loss).

The fair values of the identifiable assets acquired and liabilities assumed as at the acquisition of control date of December 19, 2024, were as follows:

|                                                 | <b>RIV Capital</b> |
|-------------------------------------------------|--------------------|
| <b>IDENTIFIABLE ASSETS ACQUIRED</b>             |                    |
| Cash and cash equivalents                       | \$ 39,501          |
| Accounts receivable and other receivables       | 231                |
| Inventory                                       | 6,697              |
| Biological assets                               | 350                |
| Prepaid expenses                                | 75                 |
| Other current assets                            | 97                 |
| Right-of-use assets                             | 14,169             |
| Property, plant, and equipment                  | 18,650             |
| Intangible assets                               | 7,375              |
| Other long-term assets                          | 5,077              |
| Deferred tax assets                             | 1,021              |
| <b>Total assets acquired at fair value</b>      | <b>93,243</b>      |
| <b>LIABILITIES ASSUMED</b>                      |                    |
| Accounts payable and accrued liabilities        | 7,074              |
| Lease liabilities                               | 14,169             |
| Provision liabilities                           | 13,981             |
| Loyalty program liabilities                     | 69                 |
| <b>Total liabilities acquired at fair value</b> | <b>35,293</b>      |
| <br>Bargain purchase                            | <br>(44,520)       |
| <b>Total purchase price</b>                     | <b>13,430</b>      |

As the fair value of identifiable net assets exceeded the fair value of consideration transferred, a bargain purchase gain was recognized in the consolidated statement of income (loss) and comprehensive income (loss). No goodwill arose from the business combination with RIV Capital.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

The total fair value of consideration payable pursuant to the RIV Transaction as at the acquisition of control date was as follows:

|                                                  | <b>Total</b>     |
|--------------------------------------------------|------------------|
| Common share consideration                       | 12,008           |
| Settlement of pre-existing relationship          |                  |
| Exchangeable shares issued <sup>(1)</sup>        | 10,715           |
| Settlement of Bridge Note payable <sup>(2)</sup> | (9,293)          |
| <b>Total fair value of consideration</b>         | <b>\$ 13,430</b> |

<sup>(1)</sup> Concurrently with closing of the RIV Transaction, the Company issued the Fluent Exchangeable Shares to The Hawthorne Collective in exchange for the Hawthorne Notes receivable which were issued by RIV Capital. The Hawthorne Notes receivable were set-off against the balance of the Bridge Note payable plus accrued interest owing by the Company to RIV Capital prior to closing.

<sup>(2)</sup> Represents the principal amount of the Bridge Note payable of \$8,975 plus accrued interest of \$318 that was set-off in connection with the RIV Transaction.

Common share and Fluent Exchangeable Share consideration were measured using the Fluent share price on the date of the RIV Transaction. The RIV Transaction did not include any contingent or deferred consideration. Total consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed as at the date of the acquisition of control, being December 19, 2024. These estimated fair values involve significant judgement and assumptions. Specifically, the estimated fair values of certain intangible assets acquired were based upon management's projections of cash flows expected to be derived from the use of these assets. Such cash flow projections reflect judgement regarding management's expectations of the impact of IRC Section 280E. Identifiable intangible assets acquired through the RIV Transaction include cannabis license rights in New York and the Etain brand. No indemnification arrangements were recognized or assumed.

The Company consolidates the results of RIV Capital from the acquisition of control date, being December 19, 2024. The Company's consolidated statements of income (loss) and comprehensive income (loss) include net revenue of \$766 and net loss of (\$139) from RIV Capital.

The purchase price allocation remains provisional as at December 31, 2024.

**6. Biological Assets**

The Company's biological assets consist of cannabis plants which are not yet harvested. A reconciliation of the beginning and ending balances of biological assets for the year ended December 31, 2024 and the year ended December 31, 2023 is as follows:

|                                                                | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|----------------------------------------------------------------|------------------------------|------------------------------|
| Balance at beginning of period                                 | \$ 331                       | \$ 996                       |
| Acquired through business combination                          | 350                          | -                            |
| Capitalized cost incurred until harvest                        | 17,552                       | 17,145                       |
| Effect of unrealized change in fair value of biological assets | 7,872                        | (14,602)                     |
| Transferred to inventory upon harvest                          | (22,943)                     | (3,208)                      |
| <b>Balance at end of period</b>                                | <b>\$ 3,162</b>              | <b>\$ 331</b>                |

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

As of December 31, 2024 and December 31, 2023, all biological assets were live plants. The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and the expected selling price less costs to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 in the IFRS 13 fair value hierarchy as there is no actively traded commodity market for plants or dried products. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets which will affect the amount reflected in the gain or loss on biological assets in future periods.

The following table quantifies each significant unobservable input for Florida and Texas cultivations, and provides the impact a 10% increase or decrease in each input would have on the fair value of biological assets:

| Assumptions                                                                                                    | As at December 31, 2024 |            | As at December 31, 2023 |            |
|----------------------------------------------------------------------------------------------------------------|-------------------------|------------|-------------------------|------------|
|                                                                                                                | Input                   | 10% Change | Input                   | 10% Change |
| (i) Weighted average of expected loss of plants until harvest (a)                                              | 5%                      | \$15       | 19%                     | \$7        |
| (ii) Expected yields for cannabis plants (average grams per plant)                                             | 85                      | \$279      | 71                      | \$33       |
| (iii) Weighted average number of growing weeks completed as percentage of total growing weeks as at period end | 51%                     | \$279      | 44%                     | \$33       |
| (iv) FL Estimated selling price per gram (c)                                                                   | \$7.87 Per Gram         | \$1,240    | \$7.12 per gram         | \$824      |
| (v) FL Cost to sell per gram per flower and trim, respectively                                                 | \$3.34 Per Gram         | \$961      | \$6.90 per gram         | \$792      |

- (a) Weighted average of expected loss of plants until harvest represents the expected loss of plants that will not survive to the point of harvest. It does not include any financial loss on a surviving plant.
- (b) Expected average yields for cannabis plants vary based on the mix of strains existing at each reporting date.
- (c) The estimated selling price per gram represents the actual sales price for the Company's various strains sold as retail products. The selling price is impacted by the mix of expected THC levels from the plants.

The Company estimates the harvest yields for cannabis at various stages of growth. As at December 31, 2024, it is expected that the Company's biological assets will yield approximately 5,005,531 grams of dry cannabis when harvested (2023 – 2,105,938 grams) for Florida and Texas. As at December 31, 2024 and 2023, the Company had 63,168 and 63,838 plants that were classified as biological assets, respectively, for Florida and Texas. The company's average cultivation cycle length for plants is approximately 13 weeks.

The following table quantifies each significant unobservable input for New York cultivation, and provides the impact a 10% increase or decrease in each input would have on the fair value of biological assets:

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

| Assumptions:                                                                                                     | As at December 31, 2024 |            |
|------------------------------------------------------------------------------------------------------------------|-------------------------|------------|
|                                                                                                                  | Input                   | 10% Change |
| (I) Weighted average of expected loss of plants until harvest [a]                                                | 1%                      | \$ 3       |
| (II) Expected yields (dry grams of cannabis per plant) [b]                                                       | 155                     | \$ 2       |
| (III) Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end | 49%                     | \$ 3       |
| (IV) Estimated selling price (per gram) [c]                                                                      | \$1.90 per gram         | \$ 40      |
| (V) After harvest cost to complete and sell, including reasonable margin (per gram)                              | \$0.35 per gram         | \$ 9       |

The Company estimates the harvest yields for New York cannabis at various stages of growth. As at December 31, 2024, it is expected that the Company's biological assets will yield approximately 467,372 grams of dry cannabis when harvested. As at December 31, 2024, the Company had 6,533 plants in New York that were classified as biological assets.

**7. Inventory**

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

|                                   | December 31,<br>2024 | December 31,<br>2023 |
|-----------------------------------|----------------------|----------------------|
| Supplies, packaging and materials | \$ 2,500             | \$ 4,761             |
| Work in progress                  | 7,608                | 1,988                |
| Finished goods                    | 5,047                | 2,495                |
| <b>Balance at end of period</b>   | <b>\$ 15,155</b>     | <b>\$ 9,244</b>      |

Inventory material costs included in the cost of goods sold during the years ended December 31, 2024 and December 31, 2023 were \$17,256 and \$14,082, respectively. Salaries and benefits charged to cost of goods sold during the year ended December 31, 2024 and December 31, 2023 were \$11,093 and \$10,233. Capitalized depreciation expensed to costs of goods sold for the years ended December 31, 2024 and 2023 were \$7,774 and \$7,207, respectively.

Inventory balances as at December 31, 2024 include inventory acquired through the RIV Transaction on December 19, 2024.

**8. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consist of the following:

|                                 | December 31,<br>2024 | December 31,<br>2023 |
|---------------------------------|----------------------|----------------------|
| Prepaid insurance               | \$ 344               | \$ 286               |
| Other prepaid expenses          | 265                  | 222                  |
| Tenant improvement allowance    | 490                  | 529                  |
| Prepaid inventory               | 524                  | 273                  |
| Other current assets            | 964                  | 572                  |
| <b>Balance at end of period</b> | <b>\$ 2,587</b>      | <b>\$ 1,882</b>      |

# Fluent Corp.

## Notes to the Consolidated Financial Statements

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

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

#### 9. Property and Equipment

A reconciliation of the beginning and ending balances of property and equipment for the years ended December 31, 2024 and 2023, is as follows:

|                                       | Land          | Furniture and<br>Fixtures | Computer<br>Equipment | Manufacturing<br>equipment | Leasehold<br>improvements | Construction in<br>Progress | Vehicles      | Total            |
|---------------------------------------|---------------|---------------------------|-----------------------|----------------------------|---------------------------|-----------------------------|---------------|------------------|
| <b>Cost</b>                           |               |                           |                       |                            |                           |                             |               |                  |
| Balance as of January 1, 2023         | 212           | 1,192                     | 1,664                 | 10,300                     | 37,641                    | 1,627                       | 389           | 53,025           |
| Additions                             | -             | 398                       | 461                   | 783                        | 4,985                     | (677)                       | 69            | 6,019            |
| Disposals                             | -             | -                         | -                     | -                          | (197)                     | (56)                        | -             | (253)            |
| Balance as of December 31, 2023       | 212           | 1,590                     | 2,125                 | 11,083                     | 42,429                    | 894                         | 458           | 58,791           |
| <b>Accumulated depreciation</b>       |               |                           |                       |                            |                           |                             |               |                  |
| Balance as of January 1, 2023         | -             | 505                       | 1,111                 | 3,902                      | 15,649                    | -                           | 115           | 21,282           |
| Additions                             | -             | 220                       | 446                   | 1,557                      | 7,774                     | -                           | 46            | 10,043           |
| Disposals                             | -             | -                         | -                     | -                          | (176)                     | -                           | -             | (176)            |
| Balance as of December 31, 2023       | -             | 725                       | 1,557                 | 5,459                      | 23,247                    | -                           | 161           | 31,149           |
| <b>Property and equipment, net</b>    | <b>\$ 212</b> | <b>\$ 865</b>             | <b>\$ 568</b>         | <b>\$ 5,624</b>            | <b>\$ 19,182</b>          | <b>\$ 894</b>               | <b>\$ 297</b> | <b>\$ 27,642</b> |
| <b>Cost</b>                           |               |                           |                       |                            |                           |                             |               |                  |
| Balance as of January 1, 2024         | 212           | 1,590                     | 2,125                 | 11,083                     | 42,429                    | 894                         | 458           | 58,791           |
| Acquired through business combination | -             | 235                       | -                     | 3,066                      | 5,934                     | 9,335                       | 80            | 18,650           |
| Additions                             | -             | 25                        | 83                    | 1,219                      | 3,858                     | 10,938                      | 50            | 16,173           |
| Disposals                             | (212)         | (131)                     | (25)                  | -                          | (624)                     | -                           | -             | (992)            |
| Balance as of December 31, 2024       | -             | 1,719                     | 2,183                 | 15,368                     | 51,597                    | 21,167                      | 588           | 92,622           |
| <b>Accumulated depreciation</b>       |               |                           |                       |                            |                           |                             |               |                  |
| Balance as of January 1, 2024         | -             | 725                       | 1,557                 | 5,459                      | 23,247                    | -                           | 161           | 31,149           |
| Additions                             | -             | 213                       | 342                   | 1,650                      | 7,780                     | -                           | 51            | 10,036           |
| Disposals                             | -             | (128)                     | (25)                  | -                          | (610)                     | -                           | -             | (763)            |
| Balance as of December 31, 2024       | -             | 810                       | 1,874                 | 7,109                      | 30,417                    | -                           | 212           | 40,422           |
| <b>Property and equipment, net</b>    | <b>\$ -</b>   | <b>\$ 909</b>             | <b>\$ 309</b>         | <b>\$ 8,259</b>            | <b>\$ 21,180</b>          | <b>\$ 21,167</b>            | <b>\$ 376</b> | <b>\$ 52,200</b> |

For the years ended December 31, 2024 and 2023, the Company charged \$7,233 and \$7,206 of depreciation to the production of biological assets and inventory, respectively.

As at December 31, 2024 and 2023, respectively, the Company assessed its property and equipment for indicators of impairment and determined none were present.

#### 10. Intangible Assets

Intangible assets consist of cannabis licenses, trademarks, and brands. A reconciliation of the beginning and ending balances of intangible assets for the years ended December 31, 2024 and 2023, is as follows:

**Fluent Corp.**
**Notes to the Consolidated Financial Statements**
**For the years ended December 31, 2024 and 2023**
*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                       | Licenses        |                  | Trademarks and | Computer     |                  |
|---------------------------------------|-----------------|------------------|----------------|--------------|------------------|
|                                       | Amortized Cost  | Indefinite Lived | brands         | Software     | Total            |
| <b>Cost</b>                           |                 |                  |                |              |                  |
| Balance as of January 1, 2023         | 1,232           | 93,256           | 8,850          | -            | 103,338          |
| Additions                             | 319             | -                | -              | -            | 319              |
| Disposals                             | (842)           | -                | -              | -            | (842)            |
| Balance as of December 31, 2023       | 709             | 93,256           | 8,850          | -            | 102,815          |
| <b>Accumulated amortization</b>       |                 |                  |                |              |                  |
| Balance as of January 1, 2023         | 1,063           | -                | 7,984          | -            | 9,047            |
| Additions                             | 159             | -                | 858            | -            | 1,017            |
| Disposals                             | (842)           | -                | -              | -            | (842)            |
| Balance as of December 31, 2023       | 380             | -                | 8,842          | -            | 9,222            |
| <b>Intangible assets, net</b>         | <b>\$ 329</b>   | <b>\$ 93,256</b> | <b>\$ 8</b>    | <b>\$ -</b>  | <b>\$ 93,593</b> |
| <b>Cost</b>                           |                 |                  |                |              |                  |
| Balance as of January 1, 2024         | 709             | 93,256           | 8,850          | -            | 102,815          |
| Acquired through business combination | -               | 7,080            | 263            | 32           | 7,375            |
| Additions                             | 1,332           | -                | -              | -            | 1,332            |
| Disposals                             | -               | -                | -              | -            | -                |
| Impairment                            | -               | (64,285)         | -              | -            | (64,285)         |
| Balance as of December 31, 2024       | 2,041           | 36,051           | 9,113          | 32           | 47,237           |
| <b>Accumulated amortization</b>       |                 |                  |                |              |                  |
| Balance as of January 1, 2024         | 380             | -                | 8,842          | -            | 9,222            |
| Additions                             | 417             | -                | 8              | -            | 425              |
| Disposals                             | -               | -                | -              | -            | -                |
| Balance as of December 31, 2024       | 797             | -                | 8,850          | -            | 9,647            |
| <b>Intangible assets, net</b>         | <b>\$ 1,244</b> | <b>\$ 36,051</b> | <b>\$ 263</b>  | <b>\$ 32</b> | <b>\$ 37,590</b> |

The Company's licenses include various cannabis licenses in Florida, New York, Pennsylvania, and Texas. As discussed in Note 3h, the Company amortizes its renewable cannabis licenses on a straight-line basis over each two-year term. Cannabis licenses acquired through business combination are recorded as indefinite life intangible assets and are tested for impairment annually at each year-end, or more frequently if indicators of impairment are present.

Annual impairment testing involves determining the recoverable amount of the CGU(s) to which goodwill and indefinite life intangibles are allocated and comparing this to the carrying value of the CGU. As required by IAS 36, *Impairment of Assets*, goodwill and intangible assets are tested annually for impairment, or more frequently if indicators are present that suggest the carrying value may not be recoverable. Accordingly, the Company performed its annual impairment test of goodwill and indefinite life intangible assets at December 31, 2024. As at December 31, 2024, the carrying value of the definite and indefinite life intangible assets related to the Florida CGU, prior to any impairment charge, was \$94,568. The fair value less the costs of disposal of the CGU was calculated using a discounted cash flow model and level 3 inputs. The fair value less costs of disposal was determined to be less than the CGU's carrying value, therefore the Company recorded an impairment of \$64,285. The key assumptions used in the estimates of the recoverable amounts are described below:

- Cash flows were projected based on the Company's long-term business plan. The business plan contains forecasts based on actual operating results in conjunction with anticipated future growth opportunities, as well as industry and market trends. The forecasts were extended to a total of

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

five years (with a terminal year thereafter). Revenue annual growth rate of 23.3% and 10% for years ended December 31, 2025 and 2026, respectively. Annualized growth was estimated based on anticipated dates of new dispensaries and the applicable ramp up time. The remaining years utilized a conservative 10% per year for revenue growth.

- The terminal growth rate of 3% was based on U.S. real GDP growth & inflation estimates, industry growth rates, and the Company's historical and projected industry data.
- The pre-tax discount rate applied in determining the recoverable amount of the CGU was 22.5%. The discount rates were estimated based on past experience and the weighted average cost of capital of each CGU, other competitors in the industry and adjusted for risks in the cash flow.

Amortization expense for the years ended December 31, 2024 and 2023, were \$425 and \$1,017, respectively. Amortization expense for intangible assets is recorded within in depreciation and amortization expense on the consolidated statements of income (loss) and comprehensive income (loss). The remaining amortization period for the Florida cultivation and dispensation license as of December 31, 2024 is 1.61 years.

**11. Goodwill**

Goodwill as of December 31, 2024 and 2023 was \$1,525 and \$1,525, respectively. Goodwill on the Company's consolidation statements of financial position is allocated to the Florida CGU, which represents the lowest level at which goodwill is monitored for internal management purposes.

As of December 31, 2024 and 2023, the Company did not recognize any impairment to its goodwill (See Note 10).

**12. Other Assets**

Other assets as of December 31, 2024 and 2023, are comprised of the following:

|                                  | 2024            | 2023          |
|----------------------------------|-----------------|---------------|
| Other assets                     |                 |               |
| Prepaid rent                     | \$ 4,509        | \$ 22         |
| Security deposits                | 1,322           | 885           |
| Deferred lease acquisition costs | 213             | -             |
| Tax payments                     | 190             | -             |
| Impact fee, net                  | 159             | -             |
| Deposits on fixed assets         | 83              | -             |
| <b>Total other assets</b>        | <b>\$ 6,476</b> | <b>\$ 907</b> |

**13. Income Taxes**

Income tax expense for the years ended December 31, 2024 and 2023 consisted of the following:

|                              | 2024            | 2023             |
|------------------------------|-----------------|------------------|
| Current income tax expense   | \$ 19,430       | \$ 16,485        |
| Deferred income tax recovery | (12,740)        | (2,891)          |
| <b>Total income taxes</b>    | <b>\$ 6,690</b> | <b>\$ 13,594</b> |

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

The U.S statutory tax rate in effect for the years ended December 31, 2024 and 2023 was 21%. The Canadian statutory tax rate in effect for certain of the Company's Canadian subsidiaries was 26.5%. The income tax expense for the years can be reconciled to the accounting loss as follows:

|                                                 | <b>2024</b>     | <b>2023</b>      |
|-------------------------------------------------|-----------------|------------------|
| Tax at U.S. statutory rate of 21%               | \$ (7,077)      | \$ (1,923)       |
| State taxes                                     | (4,772)         | 2,450            |
| Non-deductible items                            | (8,864)         | 10,821           |
| Uncertain tax positions, penalties and interest | 19,821          | 3,239            |
| Return-to-provision true-ups                    | 2,331           | (1,087)          |
| Change in statutory rates                       | (554)           | -                |
| Change in tax benefits not recognized           | 5,622           | -                |
| Other, net                                      | 183             | 94               |
| <b>Total income tax expense</b>                 | <b>\$ 6,690</b> | <b>\$ 13,594</b> |

The tax effects of the temporary differences giving rise to the deferred tax liability are as follows:

|                                                                    | <b>2024</b>      | <b>2023</b>      |
|--------------------------------------------------------------------|------------------|------------------|
| <b>Deferred income tax assets:</b>                                 |                  |                  |
| Accruals and other                                                 | \$ 132           | \$ -             |
| Reserves                                                           | 1,639            | -                |
| Licenses                                                           | 735              | -                |
| Biological assets                                                  | 237              | 1,630            |
| Lease liabilities                                                  | 4,691            | 1,844            |
| <b>Total deferred income tax assets</b>                            | <b>\$ 7,434</b>  | <b>\$ 3,474</b>  |
| <b>Deferred income tax liabilities:</b>                            |                  |                  |
| Property and equipment                                             | \$ 918           | \$ 195           |
| Intangible assets                                                  | 6,005            | 19,041           |
| Right-of-use assets                                                | 4,289            | 1,636            |
| <b>Total deferred income tax liabilities</b>                       | <b>\$ 11,212</b> | <b>\$ 20,872</b> |
| <b>Deferred Income tax liabilities, net</b>                        | <b>\$ 3,778</b>  | <b>\$ 17,398</b> |
| <b>Deferred Income tax asset attributable to RIV</b>               | <b>\$ 1,039</b>  | <b>\$ -</b>      |
| <b>Deferred Income tax liabilities attributable to Fluent, net</b> | <b>\$ 4,817</b>  | <b>\$ 17,398</b> |

The movement in net deferred tax liabilities for the years ended December 31, 2024 and December 31, 2023 is as follows:

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                                               | 2024            | 2023             |
|---------------------------------------------------------------|-----------------|------------------|
| <b>Movement in net deferred tax liabilities:</b>              |                 |                  |
| Balance at the beginning of the year                          | \$ 17,398       | \$ 20,290        |
| Acquired through business combination                         | (1,021)         | -                |
| Recognized in net loss                                        | (12,740)        | (2,892)          |
| Other                                                         | 141             | -                |
| <b>Ending balance in deferred income tax liabilities, net</b> | <b>\$ 3,778</b> | <b>\$ 17,398</b> |

During the year ending December 31, 2024, the Company filed amended tax returns for tax year 2022 using tax positions based on legal interpretations that challenge the Company's tax liability under IRC Section 280E. The Company determined that pursuant to IFRIC 23, it is not probable that the challenge to IRC Section 280E would be sustained. Accordingly, the Company has recognized an uncertain tax position liability on its consolidated statement of financial position as at December 31, 2024. The uncertain tax position includes tax liabilities and accumulated penalties and interest on amounts that would otherwise be deemed owing had the uncertain tax position not been taken.

The classification of an uncertain tax liability as current versus non-current on the Company's consolidated statement of financial position is determined based on the expected timing of cash payments or benefits to be recognized. The Company does not anticipate these uncertain tax benefits to be resolved in the next twelve months and anticipates that the total amount of unrecognized tax benefits may change within the next twelve months for additional uncertain tax positions taken on a go-forward basis.

**14. Derivative Liabilities**

During the year ended December 31, 2024, the Company's derivative liabilities consisted of an equity price guarantee derivative liability and a convertible note derivative liability. A reconciliation of the beginning and ending balances of the Company's derivative liabilities during the year's ended December 31, 2024 and 2023, is as follows:

|                                        | Equity Price<br>Guarantee | Smith Convertible<br>Note | Total           |
|----------------------------------------|---------------------------|---------------------------|-----------------|
| <b>Balance as of January 1, 2023</b>   | \$ 8,676                  | \$ -                      | \$ 8,676        |
| Fair value change                      | 433                       | -                         | 433             |
| <b>Balance as of December 31, 2023</b> | <b>\$ 9,109</b>           | <b>\$ -</b>               | <b>\$ 9,109</b> |
| Addition                               | -                         | 2,723                     | 2,723           |
| Fair value change                      | (9,109)                   | (575)                     | (9,684)         |
| <b>Balance as of December 31, 2024</b> | <b>\$ -</b>               | <b>\$ 2,148</b>           | <b>\$ 2,148</b> |

Price guarantees are recorded as a liability measured at fair value on the consolidated statement of financial position. In determining the fair value of the price guarantee, these liabilities are marked-to-market at each reporting period with the change in fair value recorded in the consolidated statements of loss and comprehensive loss.

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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*Equity Price Guarantee*

In connection with the acquisition of the remaining interest of Fluent Servicing on August 15, 2018, the Company issued 4,400,000 membership interest units of Consortium Holdings LLC that were exchanged into 4,400,000 common shares (or equivalent proportionate voting shares) of Consortium subject to a price floor of \$2.75 ("Equity Price Guarantee"), expiring on March 21, 2021.

On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing, as well as the terms pertaining to the Equity Price Guarantee, reducing the price floor from \$2.75 to \$0.65 per share for the 4,400,000 common shares originally issued and agreeing to transfer to the seller, Can Endeavour LLC ("Can Endeavour") an additional 14,215,385 common shares (or equivalent proportionate voting shares) that were previously returned by the Company's founders, subject to a price floor of \$0.65 per share with expiration on May 23, 2023.

On December 21, 2022, the Company amended its agreement of the terms pertaining to the Equity Price Guarantee, reducing the price floor from \$0.65 to \$0.40 per share for the 18,615,385 common shares issued and agreeing to transfer Can Endeavour an additional 11,634,615 common shares (or equivalent proportionate voting shares). If Can Endeavour elects to sell some or all of its common shares, and the proposed purchase price is less than the floor of \$0.40 per share, then the Company shall have the first right to purchase some or all of its common shares for \$0.40 per share. The price floor expires at the earlier of December 31, 2025 or 20 consecutive days where common shares trade at a minimum of \$4.13 while maintaining a minimum trade volume of minimum of 3 million.

In previous periods, the Company used a Monte-Carlo simulation model to estimate the fair value of the Equity Price Guarantee derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the Equity Price Guarantee.

On November 26, 2024, in connection with the Company's debt refinancing (discussed herein), the Equity Price Guarantee liability was legally extinguished, and the fair value of the liability was deemed to be \$nil, thus relieving the Company of any present and future obligations.

During the year ended December 31, 2024, the Company recognized a gain of \$9,109 (year ended December 31, 2023, a loss of \$433), on the revaluation of the Equity Price Guarantee derivative liability, which is recorded within "net change in fair value of derivative" on the consolidated statements of income (loss) and comprehensive income (loss).

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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*Smith Convertible Note (see Note 16)*

On November 26, 2024, in connection with the closing of the Credit Agreement (defined herein), the Company and William Smith, a director and the Executive Chair of Consortium, and certain companies controlled by Mr. Smith, amended and restated the termination agreement dated May 30, 2024, which provided for, among other things, the termination of the Equity Price Guarantee agreement in exchange for the issuance of a 3-year \$6,500 subordinated promissory note (the "Smith Convertible Note"). Pursuant to the terms of the Amended Smith Transaction Termination Agreement, the Company paid to the Smith Group a \$500 cash fee and issued to the Smith Group a secured subordinated convertible note in an initial aggregate principal amount of \$6,500 due May 26, 2029, bearing interest of 15%, with all accrued but unpaid interest compounded quarterly, and prepayable with consent from the Smith Group. The Smith Convertible Note is subordinated in right of payment to the Credit Agreement and the principal and accrued interest thereunder is convertible, at the discretion of the Smith Group, into shares at a price of \$0.21 per share.

The Company assessed the Smith Convertible Note as a hybrid financial instrument and determined that the conversion feature did not meet the fixed-for-fixed criteria and therefore could not be classified as equity. The Company determined the conversion feature qualified as a financial derivative and, accordingly, is initially measured at fair value and subsequently measured at FVTPL. The Company assessed the Smith Convertible Note and determined no other embedded derivatives were present.

The Company used a FinCad model to value the convertible debt instrument, which results in a system of two coupled Black-Scholes equations for the value of the convertible instrument and a system of coupled partial differential equations that must be solved simultaneously. The embedded derivative is a Level 3 financial instrument. Key observable and unobservable inputs to the valuation at initial recognition include the Company's share price (\$0.08 per share), risk-free rate (4.2%), credit spread (12.1%), and volatility (100%). At initial recognition, the Company measured the embedded derivative liability at \$2,723. The Company recognized a mark-to-market fair value gain of \$575 for the period ended December 31, 2024 on remeasurement of the embedded derivative, which is recorded within "net change in fair value of derivative" on the consolidated statements of income (loss) and comprehensive income (loss).

**15. Provision Liability**

The Company's provision liability arose through the RIV Transaction on December 19, 2024.

On December 8, 2023, the New York Cannabis Control Board ("CCB") approved the Company's New York subsidiary's application to transition to a New York adult-use cannabis operator. The subsidiary had applied for a Registered Organization Dispensing ("ROD") license, which allows the entity to participate in all aspects of vertical integration, including cultivation, processing, distribution, and retail activities. The Office of Cannabis Management ("OCM") mandates that an ROD license holder shall pay an adult-use license fee, a cultivation fee based on canopy space and type, and a one-time \$20,000 special fee (the "Special License Fee"), which is payable in four equal installments upon the achievement of certain milestones, including separate milestones for the opening of the first and second adult-use co-located retail dispensaries, and reaching certain gross revenue thresholds.

On February 14, 2024, the Company's New York subsidiary opened its first adult-use co-located retail dispensary. In connection with the opening of the Company's first adult-use dispensary, the first Special License Fee payment of \$5,000 was made to the OCM on January 26, 2024.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

In September 2024, Etain LLC opened its second co-located adult-use and medical cannabis retail dispensary. In connection with the opening of the Company's second adult-use dispensary, the second Special License Fee payment of \$5,000 is expected to be due to the OCM in March 2025.

The Company determined that the payment of the remaining three tranches of the Special License fee represents a present obligation arising from past events, being the receipt of the New York ROD license. The obligation is a known and predictable amount but is of uncertain timing. As at December 31, 2024, in accordance with IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, the Company recognized a provision liability equal to the present value of the remaining Special License Fee payments based on management's estimates for the expected dates of payment.

The following table presents a summary continuity schedule of the carrying value of the provision liability:

|                                              | Year ended<br>December 31, 2024 |
|----------------------------------------------|---------------------------------|
| <b>Provision liability - opening balance</b> | <b>\$ -</b>                     |
| Acquired through business combination        | 13,981                          |
| Accretion expense                            | 20                              |
| Remeasurement                                | -                               |
| <b>Provision liability - ending balance</b>  | <b>\$ 14,001</b>                |
| Provision liability - current portion        | \$ 4,957                        |
| Provision liability - non-current portion    | \$ 9,044                        |

**16. Notes Payable and Convertible Notes**

As of December 31, 2024 and 2023, notes payable consisted of the following:

|                                              | December 31,<br>2024 | December 31,<br>2023 |
|----------------------------------------------|----------------------|----------------------|
| Automobile loan (b)                          | \$ 10                | \$ 21                |
| Senior Secured Term loan (c)                 | -                    | 58,437               |
| Credit Agreement (d)                         | 64,820               | -                    |
| Equipment loan (e)                           | 64                   | 33                   |
| Convertible debenture (f)                    | 2,721                | 2,819                |
| Insurance financing (g)                      | 450                  | 92                   |
| Convertible promissory note (g)              | -                    | -                    |
| Cultivation facility loan (i)                | 1,465                | -                    |
| Smith Convertible Note (j)                   | 6,482                | -                    |
| Total notes payable (a)                      | \$ 76,012            | \$ 61,402            |
| Less current portion of notes payable        | (755)                | (213)                |
| Less convertible note                        | (6,482)              | -                    |
| <b>Notes payable, net of current portion</b> | <b>\$ 68,775</b>     | <b>\$ 61,189</b>     |

**(a) Notes payable**

A reconciliation of the beginning and ending balances of the notes payable for the years ended December 31, 2024 and 2023 is as follows:

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                                         | December 31,<br>2024 | December 31,<br>2023 |
|---------------------------------------------------------|----------------------|----------------------|
| Balance at the beginning of the period                  | \$ 61,402            | \$ 57,710            |
| Net proceeds of Bridge Note                             | 8,403                | -                    |
| Derecognition of Bridge Note                            | (9,001)              | -                    |
| Smith Convertible Note                                  | 6,389                | -                    |
| Insurance financing                                     | 1,954                | 800                  |
| Purchase of auto and equipment                          | 48                   | -                    |
| Cultivation facility loan                               | 1,360                | -                    |
| Interest and accretion                                  | 15,244               | 13,458               |
| Net proceeds of new Credit Agreement                    | 64,615               | -                    |
| Repayments of principal and interest (excl. Term Loan)  | (3,174)              | (10,566)             |
| Repayment and derecognition of Senior Secured Term loan | (71,228)             | -                    |
| <b>Balance at the end of the period</b>                 | <b>\$ 76,012</b>     | <b>\$ 61,402</b>     |

Refer to Note 24 for a reconciliation of finance costs for the year ended December 31, 2024 and 2023.

**(b) Automobile loan**

Notes payable collateralized by vehicles purchased, bearing interest ranging from 4.59% to 5.44% per annum, maturing through December 2025.

**(c) Senior secured term loan**

On April 29, 2021, the Company entered into a senior secured term loan in the amount of \$71,000 (the "Term Loan"). The Term Loan bears interest of 13% per annum, payable quarterly, with a maturity date of April 29, 2025. In connection with the transaction, 12.5 million warrants with an exercise price of \$1.20 were issued to certain participants in the Term Loan. Subject to certain conditions of the Term Loan, the Company has the ability to prepay the Term Loan as well as to increase the Term Loan by up to \$20 million. The Company assessed the prepayment option and determined that it is closely related as the exercise price of the option approximates the amortized cost of the note, and as such did not recognize a derivative instrument. The warrants had a down-round protection feature applicable for the first 60 days after the issuance of the warrants, which reduced the exercise price in the event the Company issued shares during the period for less than the exercise price.

As a result, the warrants failed fixed-for-fixed criteria and were accounted for as a derivative liability for the first 60 days accounted for at FVTPL. The Company valued the warrants at \$11,207 based on the following assumptions used in the Black-Scholes model: exercise price of \$1.20, underlying share price of \$1.20, expected life of 4 years, risk-free interest rate of 0.77% and annualized volatility of 113%. See Note 18 for additional information regarding warrants.

The Company incurred a total of \$4,944 of transaction costs in relation to the Term Loan. The Company allocated \$4,164 of transaction costs to the debt and immediately expensed \$780 allocated to the warrants. The fair value of the debt component was measured as the residual value of \$52,659 following the deduction of the warrants value and the transaction costs from the total proceeds received of \$68,030.

As part of the Term Loan, the Company was required to be in compliance with the following financial covenants:

- Minimum liquidity of \$4,500 as of September 30, 2024, and December 31, 2023.
- Minimum debt service coverage ratio of 2.5x.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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On June 28, 2021, the down-round protection feature expired, triggering the warrants to meet fixed-for-fixed criteria and the Company accounted for the warrants as equity instruments. The Company revalued the warrants at \$9,018 with a gain of \$2,189 recognized on the change in fair value and reclassified the outstanding balance to warrants in equity. The Company valued the warrants at \$9,018 based on the following assumptions used in the Black-Scholes model: exercise price of \$1.20, underlying share price of \$1.01, expected life of 3.84 years, risk-free interest rate of 0.87% and annualized volatility of 113%.

On May 6, 2022 and June 6, 2022, the Company refinanced the Term Loan and completed repayments of the Term Loan in the aggregate amount of \$3,418, incurring in a loss on debt settlement of \$1,136. Absent the refinancing on November 26, 2024 discussed herein, the principal amount of the refinanced loan of \$65,830 would be due in April 2025 as a balloon payment.

On November 26, 2024, the Company used proceeds received upon closing of the Credit Agreement (discussed herein) to wholly repay all outstanding principal and accrued interest outstanding under the Term Loan, eliminating the Term Loan in full. Pursuant to the extinguishment of the Term Loan debt obligation, the Company recognized a gain on settlement of debt of \$1,179 within "loss on issuance and settlement of debt, net" on the statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2024.

**(d) Credit Agreement**

On November 26, 2024, The Company had closed on a new senior secured credit agreement (the "Credit Agreement") of up to \$96,500 with Chicago Atlantic Admin, LLC ("Chicago Atlantic"), as administrative agent for certain lenders. The Credit Agreement bears a cash interest rate of 12.00% per annum and paid-in-kind interest of 1.00% per annum, and is due to mature on November 26, 2028, at which time a balloon payment of 74,468 will be due.

The Credit Agreement refinances the existing senior secured term loan (Note 16(c)) that was set to mature May 29, 2025, thereby eliminating the previously disclosed requirement that the Company prepay \$10,000 upon the consummation of the business combination with RIV Capital.

The Credit Agreement provides for an initial loan of \$71,500 and access to two additional credit lines of \$10,000 for future real estate acquisitions and construction projects, and \$15,000 in the event that the Company were to acquire RIV Capital's Buffalo cultivation and processing facility following the completion of the business combination. As at December 31, 2024, the additional credit lines remained undrawn.

The Credit Agreement includes a financial covenant requiring the Company to maintain a minimum unrestricted cash balance of \$4,500, tested at the end of each fiscal quarter, and includes customary terms and conditions for a financing of this type, including repayment obligations upon the occurrence of certain events of default thereunder.

The Company records the Credit Agreement as a financial liability at amortized cost using the effective interest rate method. At initial recognition, the Company recorded a liability of \$64,615, which was net of capitalized debt financing acquisition costs of \$3,240. The effective interest rate used for the Credit Agreement is 17.9%. In accordance with IFRS 9, the debt financing costs are recognized over the term on a systematic basis using the effective rate of interest.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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**(e) Equipment loan**

Notes payable collateralized by equipment purchased, bearing interest ranging from 0% to 4.494% per annum, maturing through December 2029.

**(f) Convertible debenture**

On April 29, 2022, the Company completed a non-brokered private placement (the "Private Placement") that includes a 10.0% unsecured convertible debenture in the principal amount of \$3,500 (the "Debenture"), as well as 3,076,923 pre-funded common share purchase warrants (each a "Pre-Funded Warrant") at a price of US\$0.39 per Pre-Funded Warrant, for aggregate gross proceeds of \$4,700, resulting in an increase of \$1,744 and \$70 to equity conversion feature and warrants, respectively. The Debenture will come due in 2032 and the principal amount then outstanding is convertible into common shares of the Company at a conversion price of \$0.79 per common share. Each Pre-Funded Warrant entitled the holder to purchase one common share at an additional exercise price of \$0.40 per common share (for a total common share issue price equal to \$0.79) for a period of 12 months from the date of issuance. As of December 31, 2024, the principal amount outstanding under the Debenture was \$2,880 and unamortized debt issuance costs was \$159.

**(g) Insurance financing**

In April 2024, the Company financed insurance in the amount of \$1,366, payable monthly with a nine-month term and an 11.35% interest rate. In September 2024, the Company financed workers compensation insurance in the amount of \$362, payable monthly with a ten-month term. As of December 31, 2024, the total amount outstanding for financed insurance is \$450.

**(h) Convertible bridge note**

On May 30, 2024, the Company entered into a convertible promissory note (the "Bridge Note") with RIV Capital. The Bridge Note was signed at the same time as the "Arrangement Agreement" between Fluent and RIV Capital (see Note 5). The Bridge Note bears interest of 10% and will come due May 1, 2025, at which time the principal amount then outstanding and all accrued but unpaid interest is convertible into common shares of the Company at a conversion price of \$0.174 per common share. The Company made an initial draw of \$3,000 under the Bridge Note, which resulted in an increase of \$190 in equity conversion feature and \$68 in deferred tax. A subsequent draw of \$1,000 under the Bridge Note resulted in an increase of \$47 in equity conversion feature and \$17 in deferred tax. The final draw of \$4,975 under the Bridge Note resulted in an increase of \$249 in equity conversion feature and \$66 in deferred tax.

In connection with the RIV Transaction closing on December 19, 2024, the principal and accrued interest owing under the Bridge Note was legally set-off against the Hawthorne Notes receivable, resulting in net increase to consideration paid in the business combination of \$1,417. The Company recognized a loss on debt settlement of \$293 during the year-ended December 31, 2024 prior to the settlement of the Bridge Note, which recorded within "loss on issuance and settlement of debt, net" within the Company's statement of income (loss) and comprehensive income (loss).

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                              | Equity Conversion<br>Feature | Liability<br>Component | Total         |
|----------------------------------------------|------------------------------|------------------------|---------------|
| Balance, December 31, 2023                   | \$ -                         | \$ -                   | \$ -          |
| Initial proceeds                             | 572                          | 8,403                  | 8,975         |
| Transaction costs                            | -                            | -                      | -             |
| Deferred tax                                 | (152)                        | -                      | (152)         |
| Interest and accretion                       | -                            | 597                    | 597           |
| Interest paid                                | -                            | -                      | -             |
| Loss on debt settlement                      | -                            | 293                    | 293           |
| Settlement of pre-existing relationship debt | -                            | (9,293)                | (9,293)       |
| <b>Balance, December 31, 2024</b>            | <b>\$ 420</b>                | <b>\$ 0</b>            | <b>\$ 420</b> |

**(i) Cultivation facility loan**

On May 28, 2024, the Company made an amendment to the Tampa Rosa cultivation lease. Under the terms of the amendment, the Company is required to pay \$1,360 to the landlord (Nittany – see Note 21), subject to 13% simple interest, as consideration for a waiver by the landlord of the Company's breach of the lease by failing to obtain landlord's consent before altering structural support systems, HVAC systems and other parts of the building. Due to the terms of the lease, the loan is deemed to be unsecured. The Company is required to make at least six installment payments per year in the amount of at least \$45 each with payments first applied to outstanding interest, then applied to principle. Therefore, accumulated interest is deemed to be the current portion of notes payable, with principle being attributed to non-current notes payable. All remaining principal and interest shall be due and payable on May 31, 2027.

**(j) Smith Convertible Note**

As discussed in Note 14, the Company assessed the Smith Convertible Note and determined that it qualified as compound financial instrument. The compound financial instrument was therefore bifurcated between its debt and derivative liability components and measured separately. The debt component was initially recorded at fair value by discounting the cash flows at a market rate of interest. This resulted in the recognition of a \$6,389 liability within notes payable. The debt component of the Smith Convertible Note is subsequently measured at amortized cost, and accreted over the term to maturity of May 26, 2029 using the effective interest rate (16.2%).

Upon recognition of the Smith Convertible Note, the Company recorded a loss of \$9,612 within "loss on issuance and settlement of debt, net" on the consolidated statement of income (loss) and comprehensive income (loss). As no proceeds were received in exchange for issuance of the instrument, the loss is equal to the initial recognition fair value of the debt component (\$6,389), the derivative liability component (\$2,723), and the issuance fee paid (\$500).

**17. Leases**

The Company's right-of-use assets and lease liabilities at December 31, 2024 and December 31, 2023 related to leased cultivation and manufacturing facilities, retail dispensaries, and corporate offices in Florida, Pennsylvania, Texas, and New York.

**(a) Right-of-use assets**

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                       | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|---------------------------------------|------------------------------|------------------------------|
| <b>Cost</b>                           |                              |                              |
| Balance at beginning of period        | \$ 48,990                    | \$ 44,029                    |
| Acquired through business combination | 14,169                       | -                            |
| Additions                             | 5,297                        | 5,675                        |
| Modifications                         | 309                          | -                            |
| Terminations                          | (609)                        | (714)                        |
| Balance at end of period              | \$ 68,156                    | \$ 48,990                    |
| <b>Accumulated depreciation</b>       |                              |                              |
| Balance at beginning of period        | \$ 17,047                    | \$ 13,565                    |
| Additions                             | 4,534                        | 4,018                        |
| Terminations                          | (155)                        | (536)                        |
| Balance at end of period              | \$ 21,426                    | \$ 17,047                    |
| <b>Right-of-use-assets, net</b>       | <b>\$ 46,730</b>             | <b>\$ 31,943</b>             |

**(b) Lease liabilities**

|                                                  | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|--------------------------------------------------|------------------------------|------------------------------|
| Balance at beginning of period                   | \$ 40,114                    | \$ 36,045                    |
| Acquired through business combination            | 14,169                       | -                            |
| Additions                                        | 4,996                        | 6,732                        |
| Modification                                     | 716                          | -                            |
| Terminations                                     | (747)                        | (282)                        |
| Interest on lease liabilities                    | 4,749                        | 4,473                        |
| Interest payments on lease liabilities           | (4,705)                      | (4,473)                      |
| Principal payments on lease liabilities          | (2,814)                      | (2,381)                      |
| <b>Balance at end of period</b>                  | <b>\$ 56,478</b>             | <b>\$ 40,114</b>             |
| Less current portion of lease liabilities        | \$ (4,751)                   | (2,872)                      |
| <b>Lease liabilities, net of current portion</b> | <b>\$ 51,727</b>             | <b>\$ 37,242</b>             |

The Company's lease obligation maturity has been disclosed within Note 20.

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

**18. Shareholders' Equity**

|                                                                | Share capital                              |                                    |                   |
|----------------------------------------------------------------|--------------------------------------------|------------------------------------|-------------------|
|                                                                | Number of<br>unrestricted<br>common shares | Number of<br>exchangable<br>shares | Amount            |
| <b>Balance, December 31, 2022</b>                              | <b>264,959,743</b>                         | <b>-</b>                           | <b>\$ 180,954</b> |
| Shares issued for professional services (Note 18 a.)           | 4,569,624                                  | -                                  | 439               |
| Private placement issuance of shares and warrants (Note 18 b.) | 30,000,000                                 | -                                  | 2,297             |
| <b>Balance, December 31, 2023</b>                              | <b>299,529,367</b>                         | <b>-</b>                           | <b>\$ 183,690</b> |
| Common shares issued in business combination (Note 18 e.)      | 171,547,344                                | -                                  | 12,014            |
| Exchangable shares issued in business combination (Note 18 d.) | -                                          | 153,069,395                        | 10,715            |
| Restricted stock units and options (Note 18)                   | 364,845                                    | -                                  | -                 |
| Shares issued for board fees (Note 18 c.)                      | 865,382                                    | -                                  | -                 |
| <b>Balance, December 31, 2024</b>                              | <b>472,306,938</b>                         | <b>153,069,395</b>                 | <b>\$ 206,419</b> |

**Equity transactions**

During the years ended December 31, 2024 and 2023, the following transactions were recorded in shareholders' equity:

- On January 6, 2023, June 2, 2023 and November 10, 2023, the Company issued to its Board of Directors' members, 1,354,167, 2,031,250 and 1,184,207 common shares at \$0.12, \$0.08 and \$0.10 per share, respectively, as compensation for their service on the Board of Directors. This resulted in an aggregate increase in share capital of \$439. Shares were issued at the Company's prevailing market share price.
- On February 28, 2023, the Company closed a non-brokered private placement offering of 30,000,000 units, at a price of \$0.10 per unit, for aggregate gross proceeds of \$3,000. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.15 per full common share purchase warrant for a period of 36 months from the issuance date. The Company's warrants are recorded as equity instruments.

The allocation of proceeds on initial recognition was based on the relative fair values of the common shares issued and the warrants. On the date of issuance, the Company determined that the fair value of the common shares was \$3,300 based on an underlying share price of \$0.11, and that the fair value of the warrants was \$999. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: an underlying share price of \$0.11, an exercise price of \$0.15, a risk-free rate of 3.94%, an expected volatility of 105.9%, an expected life of 3 years and an expected dividend yield of 0%. After applying the relative fair values, the Company allocated \$2,303 to the common shares, and \$697 to the warrants. The Company also incurred transaction costs of \$7 on issuance of the common share warrants. The transaction costs were allocated based on the relative fair value of the shares and warrants and were recorded as a reduction to the transaction price of the instruments within equity.

- On August 28, 2024, the Company issued to its Board of Directors' members 865,382 common shares as compensation for their service on the Board of Directors during the second fiscal quarter of 2024, resulting in an increase in share capital of \$113. Shares were issued at fair value, being the trading price on the date of issuance. Subsequent to December 31, 2024, the Company issued 1,657,063 common shares to its' Board of Directors as compensation for their service of the Board of Directors during the fourth fiscal

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

quarter of 2024. At December 31, 2024, the Company had accrued \$117 within its share-based compensation reserve for this issuance. The Company recognized share-based compensation expense of \$230 in the statement of income (loss) and comprehensive income (loss) for the 2024 Board of Directors compensation payable in common shares of the Company.

- d. In connection with the execution of the RIV Transaction, on December 18, 2024, the day immediately prior to closing, the Company issued 153,069,395 non-voting Fluent Exchangeable Shares to The Hawthorne Collective, a previous creditor of RIV Capital, in exchange for the Hawthorne Notes receivable from RIV Capital. The Fluent Exchangeable Shares represent a newly created class of non-voting shares of the Company, and are convertible into common shares of Fluent on a one-for-one basis. As the Fluent Exchangeable Shares are convertible into a fixed number of the Company's common shares, the fixed-for-fixed criteria is met, and the Fluent Exchangeable Shares are classified as equity instruments within share capital of the Company. Exchangeable Shares include nomination, participation, and other rights in favor of The Hawthorne Collective until converted.

The Fluent Exchangeable Shares form a component of consideration in the RIV Transaction discussed in Note 5. As outlined in the RIV Transaction agreements, the Hawthorne Notes receivable received in exchange for the Fluent Exchangeable Shares were legally set-off against the pre-existing lender and borrower Bridge Note payable instruments in tandem with closing.

- e. On December 19, 2024, the Company issued 171,547,344 common shares to the former shareholders of RIV Capital, which formed part of the business combination consideration.

**Share capital**

The Company is authorized to issue an unlimited number of common shares, each with no par value. As of December 31, 2024, the share capital of the Company is comprised of 447,680,258 common shares, 2,462,668 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 27,500,000 warrants, 9,554,325 stock options, 5,220,770 restricted stock units, and 153,069,395 Exchangeable Shares. For the purpose of the statement of changes in shareholders' equity, the proportionate voting shares have been included as part of common shares based on the 1 for 10 conversion ratio.

Earnings per share have been calculated using the weighted average number of shares outstanding during the year on a total outstanding and fully diluted basis. The potential conversion of warrants, convertible debt, and stock options into common shares have also been considered. The weighted average number of basic and diluted shares are presented in the table below:

|                                                    | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|----------------------------------------------------|------------------------------|------------------------------|
| Weighted average number of shares - basic          | 305,528,621                  | 292,622,129                  |
| Weighted average warrants                          | 27,500,000                   | 42,080,064                   |
| Weighted average convertible debt                  | 3,010,611                    | -                            |
| Weighted average options                           | 8,862,164                    | 11,439,585                   |
| Weighted average restricted stock units            | 5,372,952                    | 2,895,698                    |
| Weighted average exchangeable shares               | 5,451,787                    | -                            |
| <b>Weighted Average Number of Shares - Diluted</b> | <b>355,726,135</b>           | <b>349,037,476</b>           |

Warrant activity for the Company for the years ended December 31, 2024 and 2023, is as follows:

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                        | <b>Warrants</b>   |
|----------------------------------------|-------------------|
| <b>Balance as of December 31, 2022</b> | <b>35,803,819</b> |
| Expired                                | (23,303,819)      |
| Granted                                | 15,000,000        |
| <b>Balance as December 31, 2023</b>    | <b>27,500,000</b> |
|                                        | -                 |
| <b>Balance as of December 31, 2024</b> | <b>27,500,000</b> |

Restricted stock unit activity for the years ended December 31, 2024 and 2023 is as follows:

|                                          | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|------------------------------------------|------------------------------|------------------------------|
| Outstanding at beginning of period       | 5,861,320                    | -                            |
| Granted during the period                | 460,000                      | 5,861,320                    |
| Forfeited during the period              | (650,354)                    | -                            |
| Redeemed during the period               | (450,196)                    |                              |
| Outstanding at end of period             | 5,220,770                    | 5,861,320                    |
| Outstanding RSUs vested at end of period | 3,240,511                    | 1,970,440                    |

(1) RSUs redeemed for common shares during the period were issued net of 85,351 shares withheld to cover employee taxes.

Stock option activity for the years ended December 31, 2024 and 2023 is summarized below:

|                                                    |                   | <b>Weighted<br/>Average Exercise<br/>Price</b> |
|----------------------------------------------------|-------------------|------------------------------------------------|
| <b>Outstanding as of December 31, 2022</b>         | <b>13,431,056</b> | <b>\$ 0.53</b>                                 |
| Granted                                            | 6,266,725         | \$ 0.22                                        |
| Forfeited                                          | (9,636,056)       | \$ 0.50                                        |
| <b>Outstanding as of December 31, 2023</b>         | <b>10,061,725</b> | <b>\$ 0.31</b>                                 |
| Granted                                            | 1,020,900         | \$ 0.07                                        |
| Forfeited                                          | (1,493,300)       | \$ (0.46)                                      |
| Expired                                            | (35,000)          | \$ (0.44)                                      |
| <b>Outstanding as of December 31, 2024</b>         | <b>9,554,325</b>  | <b>\$ 0.41</b>                                 |
| <b>Options exercisable as of December 31, 2024</b> | <b>9,028,850</b>  | <b>\$ 0.29</b>                                 |

**19. Expenses by Nature**

General and administrative expenses for the year ended December 31, 2024, and 2023, are as follows:

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                         | For the years ended December 31, |                  |
|-----------------------------------------|----------------------------------|------------------|
|                                         | 2024                             | 2023             |
| General and administrative              |                                  |                  |
| Legal and professional fees             | \$ 4,033                         | \$ 2,973         |
| Business combination costs              | 4,089                            | -                |
| Salaries and benefits                   | 6,055                            | 4,141            |
| Insurance                               | 1,418                            | 1,509            |
| Variable rent expenses                  | 45                               | 43               |
| Travel and entertainment                | 327                              | 187              |
| IT services and software                | 302                              | -                |
| Phone and Cellular                      | 95                               | -                |
| Recruiting                              | 5                                | 203              |
| Payroll processing fees                 | 226                              | 30               |
| Other                                   | 1,007                            | 936              |
| <b>Total general and administrative</b> | <b>\$ 17,602</b>                 | <b>\$ 10,022</b> |

Sales and marketing expenses for the years ended December 31, 2024 and 2023, are as follows:

|                                  | For the years ended December 31, |                  |
|----------------------------------|----------------------------------|------------------|
|                                  | 2024                             | 2023             |
| Sales and marketing              |                                  |                  |
| Salaries and benefits            | \$ 18,277                        | \$ 16,192        |
| Advertising expenses             | 690                              | 1,136            |
| Legal and professional fees      | 379                              | 396              |
| Security                         | 231                              | 282              |
| Supplies                         | 425                              | 619              |
| Software                         | 559                              | 423              |
| Travel and entertainment         | 219                              | -                |
| Other                            | 2,025                            | 1,145            |
| <b>Total sales and marketing</b> | <b>\$ 22,805</b>                 | <b>\$ 20,193</b> |

**20. Commitments and Contingencies****(a) Commitments**

As at December 31, 2024, the Company had the following obligations on an undiscounted basis:

|                        | < 1 year         | 1 to 3 years     | 3 to 5 years      | > 5 years        | Total             |
|------------------------|------------------|------------------|-------------------|------------------|-------------------|
| Trade payable          | \$ 6,332         | \$ -             | \$ -              | \$ -             | \$ 6,332          |
| Accrued liabilities    | 8,423            | -                | -                 | -                | 8,423             |
| Income taxes payable   | 1,003            | -                | -                 | -                | 1,003             |
| Insurance financing    | 450              | -                | -                 | -                | 450               |
| Notes payable          | 9,668            | 20,376           | 97,903            | 1,295            | 129,242           |
| Lease obligations      | 10,800           | 22,089           | 19,082            | 38,703           | 90,674            |
| Uncertain tax position | -                | 43,314           | -                 | -                | 43,314            |
| <b>Total</b>           | <b>\$ 36,676</b> | <b>\$ 85,779</b> | <b>\$ 116,985</b> | <b>\$ 39,998</b> | <b>\$ 279,438</b> |

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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The table above, which relates to the Company's financial obligations that are of determinable timing and amount, does not include the remaining payments for the Special License Fee discussed in Note 15, and certain remaining payments for the Excess Project Costs (as defined herein and discussed below), as the timing and/or amount for these items was only an estimate as at December 31, 2024.

The remaining payments for the Special License Fee are anticipated to be in three tranches of \$5,000, payable upon the occurrence of certain events. The projected timing of the three payments is subject to significant estimation uncertainty. Further, given ongoing litigation regarding the Special License Fee, to which the Company is not a party, there may be changes in the payment timing and the ultimate amount payable under the Special License Fee. The projected timing of the latter two payments is subject to significant estimation uncertainty as they are tied to revenue milestones.

*Buffalo Facility Excess Project Costs*

Pursuant to the Company's Buffalo Facility lease agreement, total project cost overruns above the original construction budget for the development of the Buffalo Facility are borne solely by the Company as lessee, and are payable in installments over the remainder of the construction project once such overruns are determined (the "Excess Project Costs"). As at December 31, 2024, total Excess Project Costs were estimated to be \$13,008, and the Company had paid \$9,747.

Pursuant to the terms of the lease agreement, once there is a new estimate of Excess Project Costs and the parties are able to calculate the percentage of total project costs represented by the new estimate of Excess Project Costs, the Company is required to make a retroactive payment to the landlord equal to that percentage applied to actual project costs incurred to date (less any amounts previously paid for Excess Project Costs). Going forward, as project costs are incurred, the Company will be required to fund a percentage of such project costs based on the then-current estimate of Excess Project Costs as a percentage of the then-current estimate of total project costs. Accordingly, as construction work progresses, the Company expects to recognize liabilities for the remaining \$3,261 of estimated Excess Project Costs as construction progresses.

**(b) Contingencies**

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of December 31, 2024, medical marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

**(b) Claims and litigation**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2024, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations, except for the claims disclosed below. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

On April 26, 2021, MXY Holdings, LLC and its affiliates (collectively "MXY") filed suit in Florida claiming breach by the Company of the Management Services Agreement ("MSA") in an amount not less than

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

\$2,500. The terms of the MSA provided MXY with a fee for management consulting services, which services were supposed to include the creation and implementation of management plans and solutions, the provision of MXY personnel with industry expertise, and intellectual property.

On February 7, 2023, the company settled the litigation with MXY for \$1,000. As of December 31, 2024 and 2023, the total outstanding amount was \$nil and \$542, respectively.

**21. Related-Party Transactions****Key management personnel compensation**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities for the Company, directly and indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. For the years ended December 31, 2024 and 2023, key management personnel compensation consisted of the following:

|                                    | <b>For the years ended December 31,</b> |             |
|------------------------------------|-----------------------------------------|-------------|
|                                    | <b>2024</b>                             | <b>2023</b> |
| Salary                             | \$ 3,402                                | \$ 2,856    |
| Option-based compensation          | 7                                       | 83          |
| Restricted stock unit compensation | 24                                      | 118         |
| All other compensation             | 372                                     | 554         |
| Total                              | \$ 3,805                                | \$ 3,611    |

**Transactions with related parties***Board of Directors*

On February 28, 2023, the Company closed a non-brokered private placement offering of 30,000,000 units, at a price of \$0.10 per unit, for aggregate gross proceeds of \$3,000,000. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.15 per full common share purchase warrant for a period of 36 months from the issuance date. As part of the private placement, the Company issued to its Executive Chairman 10,000,000 shares and 5,000,000 warrants.

On January 6, 2023, June 2, 2023 and November 10, 2023 the Company issued to its Board of Directors' members, 1,354,167 shares, 2,031,250 shares and 1,184,207 shares at \$0.12, \$0.08 and \$0.10 per share, respectively, as compensation resulting in an increase to share capital of \$439 for the twelve-month period ending December 31, 2023.

On August 28, 2024, the Company issued to its Board of Directors' 865,382 common shares as compensation resulting in an increase in share capital of \$113. Subsequent to December 31, 2024, the Company issued 1,657,063 common shares to its' Board of Directors in substitution of their fourth quarter 2024 fees. At December 31, 2024, the Company had accrued \$117 within its share-based compensation reserve for this issuance.

On January 8, 2024, the Company entered into a commercial lease with Nittany Management, LLC. Nittany Management, LLC is owned by the Company's current Executive Chairman. The lease is for real property

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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located in Tampa Florida, that includes a 20,000 square foot building. The commercial lease is for a ten-year term, base rent under the lease is \$362 per year with 3% increases to base rent each year.

On May 28, 2024, the Company made an amendment to the January 8, 2024 commercial lease with Nittany Management, LLC in which an additional \$1,360 became due under the lease for the property located in Tampa Florida and will be repaid over a 3-year period accruing interest at 13% year. See Note 16 for the complete terms of the amendment.

On November 26, 2024, in connection with the closing of the Credit Agreement, the Company and William Smith, a director and the Executive Chair of Consortium, and certain companies controlled by Mr. Smith, amended and restated the termination agreement dated May 30, 2024, which provided for, among other things, the termination of the floor share agreement (Note 14) in exchange for the issuance of a 3-year \$6,500 subordinated promissory note, all to occur on the closing of the business combination with RIV Capital Inc. Pursuant to the terms of the Amended Smith Transaction Termination Agreement, Consortium paid to the Smith Group a \$500 cash fee and issued to the Smith Group a secured subordinated convertible note in an initial aggregate principal amount of \$6,500 due May 26, 2029, bearing interest of 15%, with all accrued but unpaid interest compounded quarterly, and without a Company right to prepay the note after year two. The Smith Convertible Note is subordinated in the right of payment to the Credit Agreement and the principal and accrued interest thereunder is convertible, at the discretion of the Smith Group, into shares at a price of \$0.21 per share.

During the years ended December 31, 2024 and 2023, the Company engaged Litvak Beasley Wilson & Ball, LLP, ("Law Firm") to represent the Company on various legal matters. The Company's CEO is a partner at Litvak Beasley Wilson & Ball, LLP. Services performed by the Law Firm included litigation, regulatory and general counsel services. Services were provided in normal commercial terms; the Company's CEO did not participate in the legal services rendered by the Law Firm. During the years ended December 31, 2024 and 2023, the Company recognized legal expenses of \$479 and \$339, respectively, to Litvak Beasley Wilson & Ball, LLP. At December 31, 2024, and 2023, the Company had no outstanding payments due to Litvak Beasley Wilson & Ball, LLP in the consolidated statements of financial position.

**22. Financial Instruments and Financial Risk Management****Financial instruments**

The Company's financial instruments consist of cash, trade receivables, other investments, trade payables, accrued liabilities, derivative liabilities, notes payable, lease obligations, and other long-term liabilities.

**Financial assets**

- (i) Cash is comprised of deposits held in financial institutions and cash held at dispensary locations.
- (ii) Trade receivables represent amounts receivable from adult-use and medical cannabis
- (iii) Other investments represent minority equity interests in cannabis ancillary business the Company acquired through business combination (see Note 5). The investments are not held for resale and are measured initially at fair value and subsequently through FVTOCI.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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**Financial liabilities**

- (i) Notes payable are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are recognized initially at fair value and subsequently at amortized cost using the effective interest method. They are included in non-current liabilities, except for the portion due within 12 months of the reporting date, which are classified as current assets.
- (ii) Compound financial instruments issued by the Company comprise convertible notes payable that are convertible to share capital at the option of the holder. The liability component of the Company's compound financial instruments is measured initially at fair value or residual value, and is subsequently measured at amortized cost using the effective interest method. If the conversion feature meets the fixed-for-fixed criteria to be considered equity, the company records the value of the conversion option directly within equity and does not remeasure. If the conversion feature fails the fixed-for-fixed criteria, it is treated as an embedded derivative liability initially measured at fair value and subsequently remeasured at FVTPL.
- (iii) Other financial liabilities include the Company's trade payables and accrued liabilities. The effective interest method is used to calculate the amortized cost of a financial liability and allocates interest expense over the term to maturity.
- (iv) The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability.

**Fair value measurement**

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

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities;

**Level 2** – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

**Level 3** – Inputs for the asset or liability that are not based on observable market data.

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

**Financial risk management**

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

**(a) Credit risk**

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of December 31, 2024 is the carrying amount of cash and trade receivables. All cash is placed with major U.S. financial institutions. Credit risk from due from trade receivables and note receivable arises from the possibility that amounts due become uncollectible.

**Fluent Corp.**

**Notes to the Consolidated Financial Statements**

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

*(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

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The Company applies an expected credit loss model to all financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the statement of financial position date. The Company is exposed to credit risk primarily through its trade accounts receivable and manages risk through the credit terms extended to its wholesale customers. The Company also monitors the cash-on-delivery retailers published by the New York Office of Cannabis Management (“OCM”). The Company assesses the collectability of its trade accounts receivable on a regular basis through an aging analysis, and utilizes a matrix to estimate a provision for ECLs. The Company measures the loss allowance for trade accounts receivable at an amount equal to the 12-month ECLs. As at December 31, 2024, the Company had estimated its provision for credit losses to be \$12 on its trade receivables (December 31, 2023 – \$nil).

**(b) Market risk**

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market conditions.

*(i) Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk.

The Company is not significantly exposed to other price risk with respect to its financial instruments, as their fair values and future cash flows are not impacted materially by fluctuations in market prices.

*(ii) Currency risk*

The consolidated operating results and consolidated financial position of the Company are reported in U.S. dollars. Some of the Company’s financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company’s operations are subject to currency transaction and translation risks.

As of December 31, 2024 and 2023, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time as it deems its foreign currency exposure to be nominal.

*(iii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements and maintaining sufficient cash balances for settlement of financial liabilities on their due dates.

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***(d) Regulatory risk**

Notwithstanding that most of the states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and leaves their cash holdings vulnerable.

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

**23. Capital Management**

The Company's objective is to maintain a sufficient capital base so as to: (i) maintain investor, creditor, and customer confidence; (ii) sustain future development of the business through both organic and acquisition-based growth; and (iii) provide the ability to continue as a going concern. The Company considers its capital structure to include shareholders' equity and interest-bearing debt. Total managed capital is as follows:

|                              | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|------------------------------|------------------------------|------------------------------|
| Notes payable                | \$ 76,012                    | \$ 61,402                    |
| Share capital                | 206,419                      | 183,690                      |
| <b>Total managed capital</b> | <b>\$ 282,431</b>            | <b>\$ 245,092</b>            |

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. Under the Company's Term Loan, the Company is required to maintain an unrestricted cash balance of \$4,500 at each quarter-end.

Management reviews its capital management approach on an ongoing basis.

**24. Finance Costs**

The Company's finance costs for the years ended December 31, 2024 and 2023 are as follows:

**Fluent Corp.****Notes to the Consolidated Financial Statements****For the years ended December 31, 2024 and 2023***(Amounts expressed in thousands of United States Dollars unless otherwise stated)*

|                                 | For the years ended<br>December 31, |                  |
|---------------------------------|-------------------------------------|------------------|
|                                 | 2024                                | 2023             |
| Interest income                 | \$ (58)                             | \$ (41)          |
| Interest expense                | 9,762                               | 8,931            |
| Accretion costs                 | 5,501                               | 4,579            |
| Interest on right of use assets | 4,750                               | 4,472            |
| Other income                    | (3)                                 | -                |
| <b>Finance costs, net</b>       | <b>\$ 19,952</b>                    | <b>\$ 17,941</b> |

**25. Employee Retention Tax Credits**

During 2023, the Company determined that it was eligible to claim Employee Retention Tax Credits ("ERTC") in the form of refunds of certain federal employment taxes as authorized and established under the CARES Act. As a result, in 2023 the Company filed amended employment tax returns for certain periods in 2021 to claim refunds related to the ERTC of approximately \$4,100.

In August 2023, the Company entered an agreement to sell its ERTC for \$3,400. Pursuant to the terms of the agreement, the buyer has the right to put all or a portion of the ERTC back to the Company, at such time where Company shall be obligated to pay a repurchase price within 10 business days after demand, equal to the portion of the claim amount, plus interest thereon at 10% per annum. As at December 31, 2024 the Company recorded a current liability of \$3,400 on its consolidated statement of financial position.

In February 2025, the Company received refunds from the ERTC tax credit totaling \$4,520. The payment satisfied the Company's obligation to the buyer in full. The ERTC funds received by the Company may be subject to audit in the current and future years. As a result, there is at least a reasonable possibility that the ERTC funds received, or a portion thereof, may need to be repaid in the future. The Company believes it is entitled to the ERTC tax credits received.