Cansortium Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended
March 31, 2023 and March 31, 2022

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

NOTE TO READER

The condensed interim financial statements for the period ended March 31, 2023 was filed on May 30, 2023 for Cansortium Inc. (the "Issuer"). Management has identified errors related to the accounting for the biological asset and inventory valuation for the quarter ended March 31, 2023. We are filing the corrected condensed interim financial statements. See further discussion of the restatement in Note 2 in "Condensed Interim Notes to the Consolidated Financial Statements (unaudited)."

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Cansortium Inc.
Condensed Interim Consolidated Statements of Financial Position (unaudited)
As of March 31, 2023 and December 31, 2022
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		March 31, 2023	December 31, 2022
Assets			
Current assets			
Cash		$ 9,468	$ 8,359
Trade receivable		33	28
Inventory, net	*Note 3*	7,738	8,973
Biological assets	*Note 4*	158	996
Investment held for sale	*Note 7*	-	-
Prepaid expenses and other current assets	*Note 6*	525	883
Total current assets		17,922	19,239
Property and equipment, net	*Note 8*	32,145	31,743
Intangible assets, net	*Note 9*	93,908	94,291
Right-of-use assets, net	*Note 15*	30,075	30,464
Deposit	*Note 10*	-	-
Goodwill	*Note 11*	1,526	1,526
Other assets		808	768
Total assets		**$ 176,384**	**$ 178,031**
Liabilities			
Current liabilities			
Trade payable		7,529	6,931
Accrued liabilities		4,572	5,534
Income taxes payable		17,063	13,952
Derivative liabilities	*Note 13*	8,954	8,676
Current portion of notes payable	*Note 14*	531	741
Current portion of lease obligations	*Note 15*	2,486	2,123
Total current liabilities		41,134	37,957
Notes payable	*Note 14*	57,912	56,969
Lease obligations	*Note 15*	33,587	33,922
Deferred tax liability	*Note 12*	19,092	20,290
Other long-term liabilities	*Note 14, 16*	1,250	1,333
Total liabilities		**152,975**	**150,471**
Shareholders' equity			
Share capital	*Note 16*	183,414	180,954
Share-based compensation reserve	*Note 16*	6,471	6,395
Equity conversion feature	*Notes 14, 16*	6,677	6,677
Warrants	*Note 16*	29,634	28,939
Accumulated deficit		(202,454)	(195,071)
Foreign currency translation reserve		(334)	(334)
Total shareholders' equity		23,409	27,560
Total liabilities and shareholders' equity		**$ 176,384**	**$ 178,031**

Nature of Operations (Note 1)
Note Receivable (Note 5)
Summary of Significant Accounting Policies (Note 2)
Expenses By Nature (Note 17)
Contingencies (Note 18)
Related-Party Transactions (Note 20)
Financial Instruments and Financial Risk Management (Note 21)
Capital Management (Note 22)
Subsequent Events (Note 26)

Approved and authorized for issue on behalf of the Shareholders on April 29, 2024:

Robert Beasley
Chief Executive Officer

Jeffrey Batliner
Chief Financial Officer

Cansortium Inc.
Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss (unaudited)
For the three months ended March 31, 2023 and 2022
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		For the three months ended March 31,	
		2023	**2022**
Revenue, net of discounts		$ 22,056	$ 19,712
Cost of goods sold		11,827	8,166
Gross profit before fair value adjustments		10,229	11,546
Fair value adjustments on inventory sold		2,341	(6,824)
Unrealized (loss) gain on changes in fair value of biological asset	*Note 4*	(5,057)	1,198
Gross profit		7,513	5,920
Expenses			
General and administrative	*Note 18*	2,312	2,841
Share-based compensation	*Note 17*	238	100
Sales and marketing	*Note 18*	3,998	4,087
Depreciation and amortization	*Notes 8, 9, 15*	1,848	1,664
Total expenses		8,396	8,692
Income (loss) from operations		(883)	(2,772)
Other expense (income)			
Finance costs, net	*Notes 14, 23*	4,249	3,657
Loss (gain) on change in fair value of derivative liability	*Note 13*	278	1,702
Private Placement issuance expense		-	-
Loss on debt settlement	*Note 14*	-	-
Loss on disposal of assets	*Note 24*	70	-
Loss from termination of a contract	*Notes 5,10*	(78)	-
Other expense (income)		67	(2)
Total other expense		4,586	5,357
Loss before income taxes		(5,469)	(8,129)
Income tax expense	*Note 12*	1,914	2,013
Net loss from continuing operations		(7,383)	(10,142)
Net loss from discontinued operations	*Note 25*	-	2
Net loss		$ (7,383)	$ (10,144)
Other comprehensive gain (loss) that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations and reporting currency		-	24
Comprehensive loss		$ (7,383)	$ (10,120)
Net loss per share			
Basic and diluted - continuing operations	*Note 16*	$ (0.03)	$ (0.04)
Weighted average number of shares			
Basic number of shares		276,556,965	252,276,742
Diluted number of shares		325,942,276	307,365,805

Cansortium Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
For the three months ended March 31, 2023 and the twelve months ended December 31, 2022
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	Share capital			Reserves					
	Number of unrestricted common shares	Number of restricted common shares	Amount	Share-based compensation reserve	Equity conversion feature	Warrants	Accumulated deficit	Foreign currency translation reserve	Total shareholders' equity
Balance, December 31, 2021	**251,576,742**	**400,000**	**$ 180,657**	**$ 6,176**	**$ 4,933**	**$ 28,869**	**$ (157,648)**	**$ (421)**	**$ 62,565**
Exercise of options	300,000	-	135	-	-	-	-	-	135
Issuance of options	-	-	-	219	-	-	-	-	219
Shares issued for professional services (Note 16 a.)	1,048,386	-	162	-	-	-	-	-	162
Foreign currency gain/(loss) on translation	-	-	-	-	-	-	-	87	87
Issuance of warrants for convertible debenture (Note 16 c.)	-	-	-	-	1,744	70	-	-	1,814
Release of restricted stock for consulting agreement (Note 14 c., 16 b.)	400,000	(400,000)	-	-	-	-	-	-	-
Issuance of share for equity price guarantee (Note 16 d.)	11,634,615	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	(37,423)	-	(37,423)
Balance, December 31, 2022	**264,959,743**	**-**	**$ 180,954**	**$ 6,395**	**$ 6,677**	**$ 28,939**	**$ (195,071)**	**$ (334)**	**$ 27,560**
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 16 e.)	1,354,167	-	163	-	-	-	-	-	163
Issuance of options				76					76
Privat placement issuance of shares and warrants (Note 16 f.)	30,000,000	-	2,297	-	-	695	-	-	2,993
Net loss	-	-	-	-	-	-	(7,383)	-	(7,383)
Balance, March 31, 2023	**296,313,910**	**-**	**$ 183,414**	**$ 6,471**	**$ 6,677**	**$ 29,634**	**$ (202,454)**	**$ (334)**	**$ 23,409**

Cansortium Inc.
Condensed Interim Consolidated Statements of Cash Flow (unaudited)
For the three months ended March 31, 2023 and 2022
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	For the three months ended March 31,	
	2023	**2022**
Operating activities		
Net loss from continuing operations	$ (7,383)	$ (10,142)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Unrealized gain (loss) on changes in fair value of biological assets	5,057	(1,198)
Realized (loss) gain on changes in fair value of biological assets	(2,341)	6,824
Share-based compensation	238	100
Depreciation and amortization	3,717	2,986
Accretion and interest of convertible debentures	132	3,057
Accretion and interest of term loan	3,086	-
Interest income on notes receivable	-	(71)
Interest of equipment loan	8	-
Loss on disposal of assets	70	-
Change in fair market value of derivative	278	1,702
Interest on lease liabilities	1,021	655
Deferred tax expense	(1,198)	(714)
Changes in operating assets and liabilities:		
Trade receivable	(5)	1
Inventory	3,981	(309)
Biological assets	(4,566)	(4,271)
Prepaid expenses and other current assets	358	930
Right of Use Assets/Liabilities	67	-
Other assets	(39)	83
Trade payable	598	415
Accrued liabilities	(963)	1,513
Other long-term liabilities	(83)	-
Income taxes payable	3,111	2,726
Net cash provided by continuing operating activities	5,144	4,287
Net cash used in discontinuing operating activities	-	2
Net cash provided by operating activities	5,144	4,289
Investing activities		
Purchases of property and equipment	(2,949)	(2,353)
Purchase of intangible assets	-	-
Advances for notes receivable	-	(30)
Net cash used in continuing investing activities	(2,949)	(2,291)
Net cash provided by discontinued investing activities		
Financing activities		
Net proceeds from issuance of shares and warrants	2,993	-
Payment of lease obligations	(1,585)	(1,254)
Exercise of Options	-	135
Issuance of shares for note payable extension		-
Principal repayments of notes payable	(2,494)	(2,224)
Net cash (used in) provided by continuing financing activities	(1,086)	(3,343)
Net cash provided by discontinued financing activities	-	—
Effect of foreign exchange on cash and cash equivalents	-	24
Net (decrease) increase in cash	1,109	(1,323)
Cash, beginning of period	8,359	9,024
Cash, end of period	9,468	7,701

1. NATURE OF OPERATIONS

Cansortium 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 295 The West Mall, Suite 600, Toronto, Ontario, M9C 4Z4 and its head office is located at 82 North East 26th Street, Suite 110, Miami, Florida, United States, 33137.

On March 22, 2019, the Company acquired all outstanding units of Cansortium Holdings LLC ("Cansortium Holdings"), in connection with the Company's initial public offering and listing on the Canadian Securities Exchange. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TIUM.U" and on the OTCQB Venture Market under the trading symbol "CNTMF."

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.

The Company's medical cannabis products are offered in oral drops, capsules, topicals, syringes, dried flower, pre-rolls, cartridges, and edibles. All of its products are marketed under the Fluent™ brand name, which was launched in May 2019. Prior to the launch of the Fluent brand the Company had operated under the Knox Medical brand. In Pennsylvania, the Company's product portfolio is comprised of a variety of third-party branded medical cannabis products.

During the year ended December 31, 2022, the Company discontinued its operations in Brazil. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the consolidated statements of loss and comprehensive loss (see Note 25).

All of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the three months ended March 31, 2023 and the year ended December 31, 2022, were generated in the United States.

These condensed interim unaudited 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed interim unaudited 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").

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the years ended December 31, 2022 and 2021. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2022 and 2021, including the accompanying notes thereto.

These restated condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 29, 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Restatement

In connection with the preparation of its audited consolidated financial statements for the year ended December 31, 2023, the Company identified an error related to the accounting for the biological asset and inventory valuation for the quarter ended March 31, 2023. The financial statements were prepared based on incorrect data inputs into the valuation model which resulted in an understatement of costs of goods sold and an overstatement of the realized fair value adjustments on inventory sold.

As a result, this report reflects a restatement of the Company's interim financial statements for the three months ended March 31, 2023. There are offsetting adjustments to COGS and Realized fair value of increments in Inventory, resulting in no impact to Gross profit. With respect to the unaudited condensed consolidated balance sheets there was no impact to total assets, liabilities, or stockholders' equity. With respect to the unaudited condensed consolidated statement of cash flows, all adjustments are to line items within operating cash flows and there was no impact to the subtotal of operating cash flows for the period.

A summary of the impact of the error on the unaudited condensed consolidated statement of loss and other comprehensive loss for the three months ended March 31, 2023 is as follows:

	Three Months Ended March 31, 2023		
	As Reported	Adjustment	As Restated
Revenue	$ 22,056		$ 22,056
COGS	7,966	3,861	11,827
Gross profit before fair value adjustment	14,090	(3,861)	10,229
As a % of revenue	*63.9%*		*46.4%*
Realized fair value of increments in inventory	(1,520)	3,861	2,341
Unrealized change in fair value of biological assets	(5,057)		(5,057)
Gross profit	7,513	-	7,513
As a % of revenue	*34.1%*		*34.1%*

(b) Basis of Measurement

The condensed interim unaudited consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial assets, liabilities and biological assets that are measured at fair value.

(c) Functional and Presentation of Currency

The condensed interim unaudited consolidated financial statements are presented in thousands of United States ("U.S.") dollars unless otherwise stated. The functional currency of the Brazilian subsidiary is the Brazilian Real.

The assets and liabilities of foreign operations are translated into U.S. dollars at period end exchange rates. Income and 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 other comprehensive income and accumulated in equity.

(d) Basis of Consolidation

The condensed interim unaudited consolidated financial statements include the accounts of the Company and its 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 loss and comprehensive loss and in the consolidated statement of changes in shareholders' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the

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

Company's subsidiaries that are included in these condensed interim unaudited consolidated financial statements and the ownership interest held as of March 31, 2023 and December 31, 2022, respectively.

	% Ownership March 31, 2023	% Ownership December 31, 2022
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Pennsylvania, LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC	100.00%	100.00%
Cansortium Texas, LLC	100.00%	100.00%
Cansortium Canada Holdings Inc.	100.00%	100.00%
Fluent Servicing, LLC	100.00%	100.00%
Cansortium Brazil Ltda.	100.00%	100.00%
Cansortium Florida, LLC	100.00%	100.00%
Cansortium Colombia S.A.S. [1]	50.00%	50.00%
Spirit Lake Road Nursery, LLC	100.00%	100.00%
Cansortium Michigan LLC	100.00%	100.00%
Cavern Capital Holdings LLC	100.00%	100.00%
Harvest Park Lot 9 Investors LLC	100.00%	100.00%
Harvest Park Lot 9 Investors No. 2 LLC	100.00%	100.00%
Fluent Hemp LLC	100.00%	100.00%
Cansortium Beverage Company Inc. [2]	-	100.00%
Cansortium International Inc.	100.00%	100.00%
Trick Tail Capital LLC	100.00%	100.00%

[1] The Company wrote-off its investment in Cansortium Colombia S.A.S as of December 31, 2022
[2] Cansortium Beverage Company Inc. was dissolved in May of 2022.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Company's condensed interim 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 on these condensed interim consolidated financial statements have been set out in Note 2 of the audited annual consolidated financial statements for the years ended December 31, 2022, and 2021.

3. INVENTORY

As of March 31, 2023 and December 31, 2022, inventory consisted of the following:

	March 31, 2023	December 31, 2022
Supplies, packaging and materials	$ 3,296	$ 2,685
Work in progress	1,183	1,906
Finished goods	3,259	4,382
Balance at end of period	**$ 7,738**	**$ 8,973**

Inventory material costs included in cost of goods sold during the three months ended March 31, 2023 and 2022, were $(444) and $4,854, respectively. Salaries and benefits charged to cost of goods sold for the three months ended March 31, 2023 and 2022, were $2,470 and $1,975, respectively. Capitalized depreciation expensed to costs of sales for the three months ended March 31, 2023 and 2022, were $1,927 and $1,322 respectively.

4. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the three months ended March 31, 2023 and year ended December 31, 2022 is as follows:

	March 31, 2023	December 31, 2022
Balance at beginning of period	$ 996	$ 3,297
Cost incurred until harvest	4,566	16,355
Effect of unrealized change in fair value of biological assets	(5,057)	(9,620)
Transferred to inventory upon harvest	(347)	(9,036)
Balance at end of period	**$ 158**	**$ 996**

As of March 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.

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

4. BIOLOGICAL ASSETS *(Continued)*

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 product. 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, and provides the impact a 10% increase or decrease in each input would have on the fair value of biological assets:

	As at March 31, 2023		As at December 31, 2022	
Assumptions	**Input**	**10% Change**	**Input**	**10% Change**
(i) Weighted average of expected loss of plants until harvest (a)	14%	$17	15%	$17
(ii) Expected yields for cannabis plants (average grams per plant) (b)	4	$100	47	$100
(iii) Weighted average number of growing weeks completed as percentage of total growing weeks as at period end	44%	$100	47%	$100
(iv) FL Estimated selling price per gram (c)	$5.79 per gram	$39	$7.12 per gram	$1,121
(v) FL Cost to sell per gram per flower and trim, respectively	$4.05 / $6.32	$78	$4.03 | $7.79	$78

(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 of March 31, 2023, it is expected that the Company's biological assets will yield approximately 3,758,466 grams of dry cannabis when harvested (2022 – 3,322,073 grams). As of March 31, 2023 and December 2022, the Company had 85,062 and 82,667 plants that were classified as biological assets, respectively.

5. NOTE RECEIVABLE

In connection with the Company's agreement entered into in October 2018 with Green Standard Holdings LLC, Green Standard Cultivation LLC and Green Standard, Inc. (collectively, "Green Standard" or "GSI") to acquire the assets of Green Standard (see Note 10), the Company entered into a line of credit note with GSI (the "Green Standard Note"), pursuant to which the Company agreed to make advances to Green Standard in connection with the Michigan cultivation and operational expenses in an aggregate principal amount, not to exceed at any one time, up to $14,700. The Green Standard Note initially bear interest at a rate of 2.7% per annum and is payable no later than the earlier of three years from the Green Standard Note issuance date. On May 19, 2020, in conjunction with the amending agreement to acquire GSI, the Company amended the terms of the Green Standard Note to reduce the principal amount available not to exceed at any one-time outstanding balances of $7,500 and to increase the interest rate to 5% per annum. On June 30, 2022, the Company terminated its acquisition agreement with GSI in Michigan and wrote off the Green Standard Note receivable, resulting in a loss from termination of a contract of $4,932 (see Note 10).

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

5. NOTE RECEIVABLE *(Continued)*

A reconciliation of the beginning and ending balances of the Green Standard Note year ended December 31, 2022, is as follows:

		December 31, 2022
Balance at beginning of year	$	4,886
Advances		94
Payments		(119)
Interest		71
Loss from termination of a contract		(4,932)
Balance at end of period	$	-

Interest income for the year ended December 31, 2022 and three months ended March 31, 2023 was $71 and $0, respectively.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

		March 31, 2023		December 31, 2022
Prepaid insurance	$	240	$	576
Other prepaid expenses		285		283
Deposits		-		24
Balance at end of period	**$**	**525**	**$**	**883**

7. INVESTMENTS HELD FOR SALE

Cansortium Colombia S.A.S

On January 22, 2020, the Company completed the return to treasury of 4,124,166 shares of Cansortium Inc. previously issued to acquire 100% of Cansortium Colombia, thereby reducing its ownership of Cansortium Colombia to 50%. In connection with this change, the Company classified its non-controlling investment in Cansortium Colombia as investment held for sale on the Company's consolidated statement of financial position in the amount of $200 as of December 31, 2021. During the year ended December 31, 2022, the Company wrote off its investment in Cansortium Colombia (see Note 25).

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

8. PROPERTY AND EQUIPMENT

A reconciliation of the beginning and ending balances of property and equipment for the three months ended March 31, 2023 and the year ended December 31, 2022, is as follows:

	Land	Furtinure and Fixtures	Computer Equipment	Manufacturing equipment	Leasehold improvements	Buildings	Construction in Progress	Vehicles	Total
Balance as of January 1, 2022	212	1,036	1,774	9,305	32,294	-	1,461	389	46,471
Additions	-	53	(134)	320	1,314	-	5,246	-	6,799
Construction completed	-	103	24	675	4,252	-	(5,054)	-	-
Disposals	-	-	-	-	(219)	-	(26)	-	(245)
Balance as of December 31, 2022	212	1,192	1,664	10,300	37,641	-	1,627	389	53,025
Balance as of January 1, 2021	-	347	725	2,476	8,692	-	-	71	12,311
Additions	-	158	386	1,428	6,998	-	-	44	9,014
Disposals	-	-	-	(2)	(41)	-	-	-	(43)
Balance as of December 31, 2022	-	505	1,112	3,903	15,649	-	-	115	21,282
Property and equipment, net	**$ 212**	**$ 687**	**$ 553**	**$ 6,398**	**$ 21,992**	**$ -**	**$ 1,627**	**$ 274**	**$ 31,743**
Cost									
Balance as of January 1, 2023	212	1,192	1,664	10,300	37,641	-	1,627	389	$ 53,025
Additions	-	-	11	109	1,821	-	1,009	-	2,949
Construction completed	-	157	96	74	1,170	-	(1,497)	-	-
Disposals	-	-	-	-	(15)	-	(56)	-	(70)
Balance as of March 31, 2023	212	1,349	1,771	10,483	40,618	-	1,083	389	55,904
Accumulated depreciation									
Balance as of January 1, 2023	-	505	1,112	3,903	15,648	-	-	114	21,281
Additions	-	49	92	379	1,946	-	-	11	2,478
Disposals	-	-	-	-	-	-	-	-	-
Balance as of March 31, 2023	-	554	1,204	4,282	17,594	-	-	125	23,759
Property and equipment, net	**$ 212**	**$ 795**	**$ 567**	**$ 6,201**	**$ 23,024**	**$ -**	**$ 1,083**	**$ 264**	**$ 32,145**

For the three months ended March 31, 2023 and 2022, the Company charged $1,927 and $1,595 of depreciation to the production of biological assets and inventory, respectively.

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

9. INTANGIBLE ASSETS

Intangible assets consist of cannabis licenses and trademarks and brands. A reconciliation of the beginning and ending balances of intangible assets for the three months ended March 31, 2023 and year ended December 31, 2022, are as follows:

	Licenses	Trademarks and brands	Total
Balance as of January 1, 2022			
Cost	$ 94,488	$ 8,850	$ 103,338
Additions	-	-	-
Disposals	-	-	-
Balance as of December 31, 2022	$ 94,488	$ 8,850	$ 103,338
Balance as of January 1, 2022			
Accumulated amortization	$ 904	$ 6,612	$ 7,516
Additions	159	1,372	1,531
Disposals	-	-	-
Balance as of December 31, 2022	$ 1,063	$ 7,984	$ 9,047
Intangible assets, net	**$ 93,425**	**$ 866**	**$ 94,291**
Balance as of January 1, 2023			
Cost	$ 94,488	$ 8,850	$ 103,338
Additions	-	-	-
Disposals	-	-	-
Balance as of September 30, 2023	$ 94,488	$ 8,850	$ 103,338
Balance as of January 1, 2023			
Accumulated amortization	$ 1,063	$ 7,984	$ 9,047
Additions	40	343	383
Disposals			-
Balance as of September 30, 2023	$ 1,103	$ 8,327	$ 9,430
Intangible assets, net	**$ 93,385**	**$ 523**	**$ 93,908**

Amortization expense for the three months ended March 31, 2023 and 2022, was $383 for both periods.

10. DEPOSIT (INVESTMENT)

Green Standard

On October 8, 2018, Cansortium Holdings LLC, entered into an agreement with Green Standard Holdings, LLC and Green Standard, Inc., collectively ("Green Standard" or "GSI") to acquire the cultivation, production and retail licenses applied for by Green Standard Cultivation LLC, Green Standard Processing LLC and Green Standard Retail LLC, for a purchase price of $7,500 payable through the issuance of 2,727,273 units of Cansortium Holdings LLC at a price equal to $2.75 dollars per shares (see Notes 13 and 16) , subject to forfeiture as follows: (a) 1,000,000 shares would be forfeited if regulatory approval of the twelve Class C licenses is not received prior to December 31, 2019; (b) 727,273 units would be forfeited if $1,000 of retail sales are not achieved in Michigan by the Company or its affiliates on or before January 1, 2021; and (c) the remaining 1,000,000 units would be forfeited if $2,000 of retail sales are not achieved in Michigan by the Company and/or its affiliates on or prior to January 1, 2022; provided, however, that with respect to (b) and (c), if the Company and/or its affiliates fails to open one dispensary in Michigan prior to January 1, 2020, the sales threshold requirements would be based on wholesale sales in Michigan by the Company and/or its affiliates to third-party retail locations.

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

On May 19, 2020, the Company amended and restated the above-mentioned agreement pursuant to which Cansortium Michigan, LLC, the Company's indirect wholly-owned subsidiary, intends to acquire 100% of the outstanding shares of Green Standard. Under the amended terms, Green Standard shareholders will receive $10 million in aggregate consideration to consist of common shares and proportionate voting shares exchangeable into an aggregate of 2,727,269 common shares of the Company, which were escrowed until May 15, 2021, plus cash consideration for the difference between the fair value of a common share (as valued per the agreement) and total purchase price of $10,000,000 to be generated by profits from Green Standard's Michigan business. The same number of shares of the Company that were previously issued to Green Standard shareholders and subject to vesting conditions were returned to treasury for cancellation and removal of the equity price guarantee that existed as through May 19, 2021.

On June 30, 2022, the Company terminated the Amended and Restated Michigan Agreement and all obligations of the Company thereunder, writing off its deposit in Green Standard, and resulting in a loss from termination of a contract of $2,727 (Note 5). The Company also incurred $352 in other expenses due to the termination of the agreement.

10. GOODWILL

Goodwill as of March 31, 2023 and December 31, 2022 was $1,526.

As of March 31, 2023 and December 31, 2022, the Company did not have an impairment to its goodwill and indefinite life intangibles.

11. INCOME TAXES

Income tax for the three months ended March 31, 2023 and 2022 consisted of the following:

		2023		2022
Current Tax Expense	$	3,112	$	2,726
Deferred Tax Expense		(1,198)		(714)
Total income taxes	**$**	**1,914**	**$**	**2,013**

Income tax expense is recognized based on Management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The U.S. statutory tax rate used for the three months ended March 31, 2022 and 2021 was 21%.

12. DERIVATIVE LIABILITIES

A reconciliation of the beginning and ending balances of the equity price guarantee derivative liabilities during the three months ended March 31, 2023 and year ended December 31, 2022 is as follows:

Balance as of January 1, 2022	$	3,960
Fair value change		4,716
Balance as of December 31, 2022	**$**	**8,676**
Fair value change		278
Balance as of March 31, 2023	**$**	**8,954**

13. DERIVATIVE LIABILITIES *(Continued)*

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 Servicing Acquisition

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 Cansortium Holdings LLC that were exchanged into 4,400,000 common shares (or equivalent proportionate voting shares) of Cansortium 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 which expires on May 23, 2023.

On May 6, 2021, the Company satisfied its obligations under the amended note payable dated January 16, 2020, in the principal amount of $12,933 to Can Endeavour. Pursuant to the terms of the amended note, Can Endeavour elected to convert the principal amount of the amended note into 21,555,483 common shares of the Company at a price of $0.60 per share. The common shares have been issued by the Company to Can Endeavour and all accrued interest on the amended note has been repaid in cash. Accordingly, the Company has satisfied its obligations under the amended note.

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 resulting in a total 30,250,000 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 or $4.13 while maintaining a minimum trade volume of minimum of 3 million.

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. The Company believes that a 1 % difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

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

13. DERIVATIVE LIABILITIES *(Continued)*

The following assumptions were used to value the Equity Price Guarantee derivative liability using the Monte-Carlo simulation model as of March 31, 2023 and December 31, 2022:

	March 31, 2023	**December 31, 2022**
Volatility	85.00%	105.00%
Risk-free interest rate	3.78%	4.02%
Expected life (years)	2.75 years	3.0 years
Share price	$0.08	$0.16
Exercise price	$0.40	$0.40

During the three months ended March 31, 2023 and the year ended December 31, 2022, the Company recorded a loss of $278 and a loss of $4,716, respectively, on the revaluation of the Equity Price Guarantee derivative liability.

14. NOTES PAYABLE

As of March 31, 2023 and December 31, 2022, notes payable consisted of the following:

	March 31, 2023	**December 31, 2022**
Automobile loan (a)	$ 29	$ 32
Senior Secured Term Loan (b)	55,049	54,096
Equipment loan (c)	533	744
Convertible Debenture (d)	2,831	2,838
Total notes payable	58,443	57,710
Less current portion of notes payable	(531)	(741)
Notes payable, net of current portion	**$ 57,912**	**$ 56,969**

(a) Automobile Loan

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

(b) Senior Secured Term Loan (the "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%.

The Company incurred a total of $4,944 of transactions 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 is required to be in compliance with the following financial covenants:

- Minimum liquidity of $4,500 as of March 31, 2023.
- Minimum debt service coverage ratio of 2.5x.

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 completed repayments of the Term Loan in the aggregate amount of $3,418, incurring in a loss on debt settlement of $1,136. As of March 31, 2023, the principal amount outstanding under the Term Loan was $65,830 and unamortized debt issuance costs was $10,785. As of December 31, 2022, the principal amount outstanding under the Term Loan was $65,830 and unamortized debt issuance costs was $11,739.

As of March 31, 2023, the Company was in compliance with its covenants under the Term Loan.

(c) Equipment Loan

As of March 31, 2023, notes payable balance comprised by two collateralized equipment loans, bearing interest ranging from 0% to 6.45% per annum, maturing through August 2026.

(d) 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 shall entitle 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 (see Note 16(k)). As of December 31, 2022, the principal amount outstanding under the Debenture was $3,362 and unamortized debt issuance costs was $1,867.

The Private Placement was entered into at the same time as the modification of the existing lease for the Sweetwater facility (see Note 15(b)). Both transactions were entered into with the same counterparty and as such, the Company performed an assessment to determine the unit of account (see Note 2(u)(x)). The Company determined that accounting for each separate individual transaction in accordance with its legal form would not faithfully represent the overall commercial substance and as such the transactions were accounted for as follows:

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

14. NOTES PAYABLE *(Continued)*

- The right of use asset and lease liability were remeasured based on the revised lease terms and payments. The Company allocated incremental payments from the lease amendment that were not representative of the fair value of the lease. For the year ended December 31, 2022, incremental lease payments of $27 were allocated to the Debenture.
- The debt component of the convertible debenture was measured based on interest rates applicable to the Company for comparable instruments without a conversion feature, and the residual amount was attributed to the equity components consisting of warrants and the conversion feature.
- The Pre-Funded Warrants were measured at their fair value using the Black-Scholes model and the remaining proceeds were then allocated to the conversion feature and recognized in the equity conversion feature reserve in equity. Total transaction costs of $40 were allocated proportionately to the debt, conversion feature and Pre-Funded Warrants.

The balance outstanding under the convertible debenture as at March 31, 2023 and December 31, 2022 is as follows:

		March 31, 2023		December 31, 2022
Balance at the beginning of the period	$	2,838	$	-
Proceeds	$	-	$	2,846
Interest and accretion	$	132	$	362
Prepayments of principal and interest	$	(139)	$	(370)
Balance at the end of the period	**$**	**2,832**	**$**	**2,838**

A reconciliation of the beginning and ending balances of the notes payable for the three months ended March 31, 2023 and the year ended December 31, 2022 is as follows:

		March 31, 2023		December 31, 2022
Balance at the beginning of the period	$	57,710	$	54,293
Proceeds from convertible debenture and warrants		-		4,700
Transaction costs on convertible debenture and warrants		-		(40)
Issuance of warrants for convertible loan (Note 16 k.)		-		(1,814)
Proceeds from equipment loans		-		748
Note Settlement (Note 16)		-		(924)
Interest and accretion		3,227		12,594
Repayments of principal and interest		(2,494)		(12,982)
Loss on debt settlement		-		1,136
Balance at the end of the period	**$**	**58,443**	**$**	**57,710**

Refer to Note 23 for a reconciliation of finance costs for the three months ended March 31, 2023 and 2022.

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

15. LEASES

The Company's leasing activities include the lease of cultivation and manufacturing facilities used in the production of cannabis and related products and office premises.

(a) Right-of-use assets

	March 31, 2023	December 31, 2022
Cost		
Balance at beginning of period	$ 44,029	$ 29,590
Additions	525	$ 14,818
Disposals	-	(379)
Balance at end of period	44,554	44,029
Accumulated Depreciation		
Balance at beginning of period	$ 13,565	$ 10,421
Additions	914	3,144
Balance at end of period	14,479	13,565
Right-of-use-assets, net	**$ 30,075**	**$ 30,464**

(b) Lease Liabilities

	March 31, 2023	December 31, 2022
Balance at beginning of period	$ 36,045	$ 23,591
Additions	592	15,014
Disposals	-	(401)
Interest on lease liabilities	1,021	3,612
Interest payments on lease obligations	(1,021)	(3,611)
Principal payments on lease obligations	(564)	(2,160)
Balance at end of period	**$ 36,073**	**$ 36,045**
Less current portion of lease obligations	(2,486)	(2,123)
Lease obligations, net of current portion	**$ 33,587**	**$ 33,922**

On May 1, 2022, the Company modified its lease agreements on six retail store fronts. The purpose of the modifications was to eliminate the variable component of rent, which was based on a percentage of gross sales and extend the term. The lease payments for these retail store fronts are now fixed. As a result of the modifications, the Company recognized additional right-of-use asset and lease liability of $5,657.

On May 1, 2022, the Company modified its lease agreement on its Sweetwater facility. The modification extended the maturity date, increased the monthly payments, and was entered into concurrently with the Private Placement as disclosed in Note 14(d). As a result of the modification, the Company recognized an additional right-of-use asset and lease liability of $235.

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

15. LEASES *(Continued)*

On June 1, 2022, the Company modified its lease agreement on a cultivation facility. The purpose of the modification was to cancel its lease to purchase agreement and extend the term. As a result of the modification, the Company recognized an additional right-of-use asset and lease liability of $4,863.

During the three months ended March 31, 2023 and 2022, the Company incurred variable lease payments of $0 and $205, respectively.

The Company's lease obligation maturity has been disclosed within Note 21.

16. SHAREHOLDERS' EQUITY

	Share capital		
	Number of unrestricted common shares	Number of restricted common shares	Amount
Balance, December 31, 2021	**251,576,742**	**400,000**	**$ 180,657**
Exercise of options	300,000	-	135
Balance, March 31, 2022	**251,876,742**	**400,000**	**180,792**
Balance, December 31, 2022	**264,959,743**	**-**	**180,954**
Shares issued for professional services (Note 16 e.)	1,354,167	-	163
Privat placement issuance of shares and warrants (Note 16 f.)	30,000,000	-	2,297
Balance, March 31, 2023	**296,313,910**	**-**	**183,414**

Equity shares transactions

During the three months ended March 31, 2023 and year ended December 31, 2022, the following transactions were recorded in shareholders' equity:

a. On November 2, 2022, the Company issued to its Board of Directors members, 1,048,386 shares at $0.155 per share as compensation resulting in an increase to share capital of $162 to satisfy the board of directors fee obligation (see Note 20).

b. On July 25, 2022, under the Uriah Settlement (Note 14(c)), the Company released 400,000 restricted common shares previously issued to the noteholder which were subject to performance milestones that were not achieved. These shares were released as part of the settlement and resulted in no increase to share capital.

c. On April 29, 2022, the Company completed a non-brokered private placement (the "Private Placement") that included 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 increase of $1,744 and $70 to equity conversion feature and warrants, respectively. The Debenture will come due in 2032 and is convertible into common shares of the Company at a conversion price of $0.79 per common share. Each Pre-Funded Warrant shall entitle 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 (see Note 14(d)).

As a part of determining the unit of account, the Company determined that the transaction price of $1,200 for the Pre-Funded Warrant was not representative of its fair value. Therefore, the Company used the Black-Scholes Model to determine the fair value of the Pre-Funded Warrant on the date of issuance. The fair value of the Pre-Funded Warrant was $71 using the Black-Scholes Model with the following assumptions: an underlying share price of $0.22, a risk-free rate of 2.60%, an expected volatility of 70%, an expected life of 1 year and an expected dividend yield of 0%.

d. On December 21, 2022, the Company amended its Equity Price Guarantee and issued 11,634,615 common shares, or equivalent proportionate voting shares, to a related party (see Note 13).

e. On January 6, 2023, the Company issued to its Board of Directors' members 1,354,167 shares at $0.12 per share (See Note 20) as compensation resulting in an increase to share capital of $163.

f. 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.

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 $3,300,000 based on an underlying share price of $0.11, and that the fair value of the warrants was $998,517. 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 shares 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 (see Note 20).

Share Capital

As of March 31, 2023, the share capital of the Company is comprised of 270,236,670 common shares, 2,607,724 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 43,534,060 warrants and 13,330,556 stock options. 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 a period on a total outstanding and fully dilutive basis. The potential conversion of warrants, convertible debt, and stock options into common shares. The weighted average number of basic and diluted shares are presented in the table below:

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

16. SHAREHOLDERS' EQUITY *(Continued)*

	March 31, 2023	December 31, 2022
Weighted Average Number of Shares - Basic	276,556,965	252,698,567
Weighted Average Warrants	35,970,633	39,389,699
Weighted Average Options	13,414,678	16,410,568
Weighted Average Number of Shares - Diluted	**325,942,276**	**308,498,834**

Warrant activity for the Company for the three months ended March 31, 2023 and year ended December 31, 2022, is as follows:

	Warrants
Balance as of December 31, 2021	**38,184,396**
Expired	(5,457,500)
Granted	3,076,923
Balance as of December 31, 2022	**35,803,819**
Expired	(7,269,759)
Granted	15,000,000
Balance as of March 31, 2022	**43,534,060**

Restricted Shares

Restricted shares issued and outstanding at December 31, 2021 represent shares are issued and outstanding shares that are subject to a Company escrow agreement requiring achievement of certain performance or service metrics to release such restrictions. During 2022, the restricted shares vested and were reclassified to unrestricted shares.

	Restricted shares	Grant date fai value per unit	Aggregate intrinsic value
Balance, December 31, 2021	**400,000**	**$ 2.75**	**$ 1,100**
Vested	(400,000)	2.75	(1,100)
Balance, December 31, 2022	**—**	**$ —**	**$ —**

17. STOCK BASED COMPENSATION

On March 14, 2019, the Board of Directors (the "Board") of the Company approved a Stock Option Plan (the "Plan"). Under the Plan, the Board may grant options to acquire common shares of the Company to officers, employees, and consultants, to a limit of 10% of the outstanding common shares of the Company, including proportionate voting shares. The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified executives, employees and consultants to contribute toward the long-term goals of the Company, and to encourage such individuals to acquire shares of the Company as long-term investments.

The term of an option grant is determined by the Board up to a maximum of 5 years from the grant date. Stock options granted generally vest over two to five years.

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

17. STOCK BASED COMPENSATION *(Continued)*

The following is a summary of the Company's grant of options to its officers, directors, employees and consultants, including the assumptions used in the Black-Scholes model. The amount of options granted, their fair values and corresponding assumptions used through the year ended December 31, 2022, were as follows:

	December 31, 2022
Options granted	700,000
Fair Value	$66
Stock price	$0.13
Exercise price	$0.20
Original term	5 years
Dividend rate	0%
US treasury rate	3.70%
Volatility	105%
Forfeiture rate	0%

There were no options granted for three months ended March 31, 2023.

Volatility rate for the above options estimated based on review of the historic volatility of publicly traded companies with similar operations. Fair value is for each option granted.

For the three months ended March 31, 2023 and the year ended December 31, 2022, the Company recognized $76 and $219 as stock-based compensation for options granted, respectively.

These expenses were calculated based on the vesting conditions of each grant and recorded as stock-based compensation in the consolidated statements of loss and comprehensive loss with a corresponding credit to equity (share-based compensation reserve).

As of March 31, 2023, there were 13,330,556 options outstanding, comprising of 13,080,556 options vested and 250,000 options non-vested, with remaining contractual lives 0.4 to 3.7ears.

The following is a summary of the changes in the Company's stock options during the three months ended March 31, 2023 and the year ended December 31, 2022:

	Options Issued	Weighted Average Exercise Price	
Balance as of December 31, 2021	**16,955,500**	**$**	**0.52**
Granted	700,000	$	0.20
Exercised	(300,000)	$	0.45
Forfeited	(3,924,444)	$	0.44
Balance as of December 31, 2022	**13,431,056**	**$**	**0.53**
Forfeited	(100,500)	$	0.44
Balance as of December 31, 2022	**13,330,556**	**$**	**0.53**

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

17. STOCK BASED COMPENSATION *(Continued)*

The following is a summary of the outstanding options as of March 31, 2023:

Exercise proces		Outstanding as of March 31, 2023	Weighted average remaining contractual life (years)	Exercisable as of March 31, 2023	Weighted average remaining contractual life (years)
$	0 44	3 703 334	1 8	3 703 334	1 9
$	0 75	255 000	3 1	255 000	3 1
$	0 77	700 000	3 1	700 000	3 1
$	0 79	250 000	0 9	125 000	0 9
$	0 83	500 000	3 7	500 000	3 7
$	0 90	250 000	3 7	250 000	3 7
$	0 93	250 000	3 5	125 000	3 5
$	1 00	150 000	0 4	150 000	0 4
$	2 00	622 222	1 1	622 222	1 1
		13 330 556	**1 8**	**13 080 556**	**1 8**

The following is a summary of the outstanding options as of December 31, 2022:

Exercise prices		Outstanding as of December 31, 2022	Weighted average remaining contractual life (years)	Exercisable as of December 31, 2022	Weighted average remaining contractual life (years)
$	0.20	700,000	5.0	700,000	5.0
$	0.26	3,000,000	0.3	3,000,000	0.3
$	0.30	1,750,000	0.8	1,750,000	0.8
$	0.40	1,200,000	2.4	1,200,000	2.4
$	0.44	3,803,834	1.8	3,803,834	1.8
$	0.75	255,000	3.1	170,000	3.1
$	0.77	700,000	3.1	700,000	3.1
$	0.79	250,000	0.9	125,000	0.9
$	0.83	500,000	3.7	500,000	3.7
$	0.90	250,000	3.7	250,000	3.7
$	0.93	250,000	3.5	83,333	3.5
$	1.00	150,000	0.4	150,000	0.4
$	2.00	622,222	1.1	622,222	1.1
		13,431,056	**1.8**	**13,054,389**	**1.8**

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

18. EXPENSE BY NATURE

General and administrative expenses for the three months ended March 31, 2023 and 2022, are as follows:

	2023	2022
General and administrative		
Legal and professional fees	$ 872	$ 727
Salaries and benefits	698	1,141
Insurance	462	549
Variable rent expenses	(68)	23
Travel and entertainment	32	19
Other	316	382
Total general and administrative	**$ 2,312**	**$ 2,841**

18. EXPENSE BY NATURE *(Continued)*

Sales and marketing expenses for the three months ended March 31, 2023 and 2022, are as follows:

	For the three months ended March 31,	
	2023	2022
Sales and marketing		
Salaries and benefits	$ 3,565	$ 2,543
Advertising expenses	314	449
Variable rent expenses	(603)	416
Legal and professional fees	54	49
Security	46	104
Supplies	233	176
Software	82	81
Other	307	269
Total sales and marketing	**$ 3,998**	**$ 4,087**

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

19. COMMITMENTS AND CONTINGENCIES

(a) Contingencies

The Company's operations are subject to a variety of local and state regulation. 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 regulation as of March 31, 2022, 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, 2022, 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 $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 March 31, 2023 and December 31, 2022, the total outstanding amount was $958 and $1,000, which was classified $542 and $417 as short-term liabilities based on the settlement terms (see Note 26).

20. RELATED-PARTY TRANSACTIONS *(Continued)*

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 three months ended March 31, 2023 and year ended December 31, 2022, key management personnel compensation consisted of the following:

		2023		2022
Salary	$	711	$	473
Option-based compensation		53	$	-
Share-based compensation		-	$	-
All other compensation		200		200
Total	$	964	$	673

Transactions with related parties

On January 1, 2019, the Company entered into a consulting agreement with a third-party company for the provision of strategic and business advisory services for a total of $3,000, payable in equal monthly installments of $125 (the "2019 Consulting Agreement"). The company is owned 100% by the current

20. RELATED-PARTY TRANSACTIONS

Executive Chairman, who was elected as such on June 30, 2021. During 2021, the Company paid the $1,775 accrued but unpaid balance due satisfying the entire amount of the 2019 Consulting Agreement.

On January 1, 2020, the Company entered into a consulting agreement with a third-party company for the provision of financial consulting services in connection with potential new investment into the Company (the "2020 Consulting Agreement"). The company is owned 100% by the current Executive Chairman.

Under the 2020 Consulting Agreement, the third-party company is entitled to a fee of five (5%) percent of the total value received by the Company in financings during the term of the 2020 Consulting Agreement, up to a cap of $1,100. During 2022, the Company paid $0 (2021 - $230) under the 2020 Consulting Agreement. As of December 31, 2022, the company owes $870 (2021 - $870) under the 2020 Consulting Agreement. On April 21, 2023 the company fully repaid the consulting fees in the amount of $870.

On December 21, 2022, the Company amended its Equity Price Guarantee and issued 11,634,615 common shares, or equivalent proportionate voting shares, to an affiliate of the Executive Chairman (see Note 13).

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 (See Note 16(f)).

During the three months ended March 31, 2023, the Company issued to its Board of Directors' members, 1,354,167 shares at $0.12 per share (See Note 16(e)) as compensation resulting in an increase to share capital of $163.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and cash, trade receivable, investment held for sale, note receivable, trade payable, 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 on hand.

Financial liabilities

(i) Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

(ii) Compound financial instruments issued by the Company comprise convertible notes payable that are convertible to share capital at either the option of the holder or upon consummation of a qualifying go-public

transaction. The liability component of the compound financial instruments is initially recognized as the difference between the fair value of the derivative liability (i.e., conversion feature) and the fair value of the convertible notes payable. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method and the derivate liability is re-measured with subsequent changes in fair value.

(iii) Other financial liabilities include the Company's trade payable and accrued liabilities and notes payable. The effective interest method is used to calculate the amortized cost of a financial liability and allocates interest income over the corresponding period.

(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.

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.

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

The carrying values of financial instruments at March 31, 2023 are summarized in the following table:

	Amortized cost	FVTPL	Total
Financial Assets			
Cash a d cash equi ale ts		9 468	9 468
Trade receivable	33		33
Financial Liabilities			
Trade payable	7 532		7 532
Accrued liabilities	18 523		
Deri ati e liabilities		8 954	8 954
Notes payable	58 443		58 443
Lease obligatio s	36 073		36 073
Other long term liabilities	1 250		1 250

The carrying values of financial instruments at December 31, 2022 are summarized in the following table:

	Amortized cost	FVTPL	Total
Financial Assets			
Cash and cash equivalents	—	8,359	8,359
Trade receivable	28	—	28
Financial Liabilities			
Trade payable	6,931	—	6,931
Accrued liabilities	5,535	—	5,535
Derivative liabilities	—	8,676	8,676
Notes payable	57,710	—	57,710
Lease obligations	36,045	—	36,045
Other long-term liabilities	1,333	—	1,333

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, 2022 is the carrying amount of cash, trade receivable and note receivable. All cash is placed with major U.S. financial institutions. Credit risk from due from trade receivable and note receivable arises from the possibility that amounts due become uncollectible.

(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.

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

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

(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, 2022, and 2021, 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 associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

The Company had the following contractual obligations as of March 31, 2023:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade payable	$ 7,532	$ -	$ -	$ -	$ 7,532
Accrued liabilities	4,571	-	-	-	4,571
Notes payable	9,685	10,732	70,783	1,525	92,726
Lease obligations	6,482	12,756	11,853	26,403	57,493
Total	$ 28,269	$ 23,489	$ 82,636	$ 27,928	$162,321

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

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

The Company had the following contractual obligations as of December 31, 2022:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade payable	$ 6,931	$ -	$ -	$ -	$ 6,931
Accrued liabilities	5,534	-	-	-	5,534
Notes payable	9,873	10,706	70,783	1,706	93,068
Lease obligations	5 692	12 294	12 327	34 026	64 339
Total	$ 28,030	$ 23,000	$ 83,110	$ 35,732	$169,872

22. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock and borrowings.

Total managed capital is as follows:

	March 31, 2023	December 31, 2022
Notes payable	$ 58,443	$ 57,710
Share capital	183,414	180,954
Total managed capital	**$ 241,857**	**$ 234,950**

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. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three months ended March 31, 2023 and the year ended December 31, 2022.

23. FINANCE COSTS

The Company's finance costs for the three months ended March 31 are as follows:

	2023	2022
Interest income	$ (8)	$ (72)
Interest expense	2,201	2,258
Accretion	1,035	815
Interest on right of use assets	1,021	654
Finance costs, net	**$ 4,249**	**$ 3,657**

24. DISPOSAL OF ASSETS

In June 2022, the Company officially exited its Homestead Florida cultivation facility, thereby writing off certain receivables, and property and equipment, recognizing a loss of $672 in the statement of loss and comprehensive loss.

25. DISCONTINUED OPERATIONS

During the year ended December 31, 2019, the Company discontinued its operations from Cansortium Colombia S.A.S ("Cansortium Colombia"). As of December 31, 2021, Cansortium Colombia was classified as held for sale, measured at the lower of carrying amount and fair value less costs to sell. For the year ended December 31, 2022, Cansortium Colombia recorded no gains or losses from discontinued operations.

For the year-ended December 31, 2022, the Company wrote-off its investment in Cansortium Colombia, recognizing a loss of $200 in the statement of loss and comprehensive loss.

During the year ended December 31, 2022, the Company discontinued its operations from Cansortium Brazil Ltda, recognizing $77 in the statement of loss and comprehensive loss. During the three months ended March 31, 2023and 2022, the Company recorded a loss of $2 and $0 from its discontinued operations, respectively.

26. SUBSEQUENT EVENTS

On May 16,2023 the Company announced it is moving its headquarters from Miami to the Westshore District of Tampa, Florida in the next few months.