

# IM Cannabis Reports 2023 Financial Results

TORONTO and GLIL YAM, Israel, March 28, 2024 /CNW/ -- IM Cannabis Corp. (the "**Company**" or "**IMC**") (NASDAQ: IMCC) (CSE: IMCC), an international medical cannabis company, announced its financial and operational results for the year ended December 31, 2023, the highlights of which are included in this news release. All figures are reported in Canadian dollars. The Company's full set of consolidated audited financial statements for the years ended December 31, 2023 and 2022 (the "**Annual Financial Statements**") and accompanying management's discussion and analysis (the "**Annual MD&A**") can be accessed by visiting the Company's website at <https://investors.imcannabis.com/>, and its profile pages on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), and EDGAR at <http://www.sec.gov/edgar>.



## FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2023

- Revenue decreased to \$48.8 million for the fiscal year ended December 31, 2023 (compared to \$53.3 in 2022), representing a decrease of 10%.
  - Primarily due to negative currency fluctuations and the impact of the Israel-Hamas war on the Company's operations.
- Revenue decreased to \$10.7 million for the three months ended December 31, 2023 (compared to \$14.5 million in 2022), representing a decrease of 26%.
  - Primarily due to the interruption on the Company's supply chain caused by the Israel-Hamas war and the Company discounting certain outstanding inventory at lower prices.
- Gross profit increased to \$9.8 million for the fiscal year ended December 31, 2023 (compared to \$9.2 million in 2022), representing an increase of 7.5%
- Gross profit decreased to \$0.8 million for the three months ended December 31, 2023 (compared to \$2.6 million in 2022), representing a decrease of 68%.
  - Primarily due to the interruption on the Company's supply chain caused by the Israel-Hamas war and the Company discounting certain outstanding inventory at lower prices.
  - The Company's fair value adjustment was approximately \$1 million for the fiscal year ended December 31, 2023 (compared to \$2.1 million in 2022).
- G&A expenses decreased to \$11 million for the fiscal year ended December 31, 2023 (compared to \$21.5 million in 2022), representing a decrease of 49%
- G&A expenses decreased to \$3.3 million for the three months ended December 31, 2023 (compared to \$9.8 million in 2022), representing a decrease of 66%.
  - Primarily due to the impairment on Y2022 and restructuring and HC adjustments in 2023.
- Selling and marketing expenses decreased to \$10.8 million for the fiscal year ended December 31, 2023 (compared to \$11.5 million in 2022), representing a decrease of 6%

- Selling and marketing expenses decreased to \$2.8 million for the three months ended December 31, 2023 (compared to \$3.1 million in 2022), representing a decrease of 10%
  - Primarily due to a decrease in share based compensation payments and a restructuring of the Company's personnel.
- Net Loss from continuing operations for the fiscal year ended December 31, 2023 was \$10.2 million, as compared to \$24.9 million in 2022.
- Net Loss from continuing operations for the three months ended December 31, 2023 was \$3.5 million, as compared to a Net Loss of \$9.6 million in the fourth quarter of 2022.
- Diluted Loss per Share for the fiscal year ended December 31, 2023 was \$0.74, compared to a loss of \$3.81 per Share in 2022.
- Diluted Loss per Share for the three months ended December 31, 2023 was \$(0.25), compared to a basic loss of \$(2.94) per share and a diluted loss of \$(3.55) per share in for the three months ended December 31, 2022.
- Cash and Cash Equivalents as of December 31, 2023, was \$1.8 million, compared to \$2.4 million as of December 31, 2022.
- Total assets were \$48.8 million as of December 31, 2023, compared to \$60.7 million as of December 31, 2022, representing a decrease of 20%.
  - Primarily attributed to an inventory reduction of about \$6.6 million, a reduction in other current assets of \$1.8 million and a reduction of non-current assets of about \$3.5 million.
- Total Liabilities were \$35.1 million as of December 31, 2023, compared to \$36.9 as of December 31, 2022, representing a decrease of about 5%.
  - Primarily attributed to a reduction in trade payables of \$6.1 million.
- Operating expenses decreased to \$22.6 million for the year ended December 31, 2023 (compared to \$40 million in 2022), representing a decrease of 43%
- Operating expenses decreased to \$6 million for the three months ended December 31, 2023 (compared to \$13.3 million in 2022), representing a decrease of 55%
- Adjusted EBITDA<sup>1</sup> decreased to \$8 million for the year ended December 31, 2023, (compared to \$11.5 in 2022), representing a decrease of 30%
- Total Dried Flower sold in 2023 was approximately 8,609 kg with an average selling price of \$5.14 per gram (compared to approximately 6,794kg, with an average selling price of \$7.12 per gram in 2022).
  - Primarily due to increased competition within the retail segment and the Company discounting certain outstanding inventory at lower prices.
- Total Dried Flower sold in the fourth quarter of 2023 was about 2,082kg with an average selling price of \$4.52 per gram (compared to about 2,334kg with an average selling price of \$5.19 per gram in 2022).
  - Primarily due to increased competition within the retail segment and the Company discounting certain outstanding inventory at lower prices.

The Annual Financial Statements include a note regarding the Company's ability to continue as a going concern. The Annual Financial Statements do not include any adjustments relating to the recoverability and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. For more information, please refer to the "Liquidity and Capital Resources" and "Risk Factors" sections in the 2023 Annual MD&A.

## Management Commentary

"IMC Germany delivered accelerated growth in 2023, growing 181% from \$252K in 2022 to \$709K in 2023. During this time, IMC Germany was #1 in sales per stock keeping unit and posted the highest growth against its competitors in the German market.<sup>2</sup> With the regulatory rescheduling of cannabis in Germany set to occur effective April 1<sup>st</sup>, the Company hopes to continue its growth in the market as the market evolves," said **Oren Shuster, Chief Executive Officer of IMC.** "In addition, as we are constantly looking for opportunities to maximize shareholder value, we are hopeful that our potential reverse merger with Israel-based Kadimastem Ltd., a clinical cell therapy public company traded on the Tel Aviv stock exchange under the symbol (TASE: KDST) will proceed as expected, which we

believe will create significant value for the shareholders."

"As previously warned and as expected, unfortunately, the Israel-Hamas war had a negative impact on our fourth quarter 2023 results, which weighed on our full year results. Due to the ongoing conflict, there was a 6% decrease in our yearly revenue. Coupled with our fourth quarter of 2023 inventory reduction, the war caused our fourth quarter gross profit to decrease by 68% as compared to the fourth quarter of 2022. However, our gross profit for 2023 increased by 7.5% to \$9.8 million as compared to last year," said **Uri Birenberg, Chief Financial Officer of IMC**. "Partially offsetting these declines, we were able to reduce our operating costs in the fourth quarter of 2023 by 55% as compared to the fourth quarter of 2022, ending the year with a 43% reduction in our operating costs as compared to last year, as we leaned further into our goal of active cost management."

## Conference Call

The Company will host a Zoom web conference call today at 9:00 a.m. ET to discuss the results, followed by a question-and-answer session for the investment community. Investors are invited to register by [clicking here](#). All relevant information will be sent upon registration.

If you are unable to join us live, a recording of the call will be available on our website at <https://investors.imcannabis.com/> within 24 hours after the call.

## Non-IFRS Measures

This press release makes reference to "Gross Margin" and "Adjusted EBITDA", which are financial measures that are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as complementary information to the Company's IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should neither be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

For an explanation of how management defines Gross Margin and Adjusted EBITDA, see the 2023 MD&A.

We reconcile these non-IFRS financial measures to the most comparable IFRS measures as set out below:

## About IM Cannabis Corp.

IM Cannabis Corp. (Nasdaq: IMCC) (CSE: IMCC) is an international cannabis company that provides premium cannabis products to medical patients in Israel and Germany, two of the largest medical cannabis markets. The Company has exited operations in Canada to pivot its focus and resources to achieve sustainable and profitable growth in its highest value markets, Israel and Germany. The Company leverages a transnational ecosystem powered by a unique data-driven approach and a globally sourced product supply chain. With an unwavering commitment to responsible growth and compliance with the strictest regulatory environments, the Company strives to amplify its commercial and brand power to become a global high-quality cannabis player.

The IMC ecosystem operates in Israel through its commercial relationship with Focus Medical Herbs Ltd., which imports and distributes cannabis to medical patients, leveraging years of proprietary data and patient insights. The Company also operates medical cannabis retail pharmacies, online platforms and logistical hubs in Israel that enable the safe delivery and quality control of IMC products throughout the entire value chain. In Germany, the IMC ecosystem operates through Adjupharm GmbH, where it distributes cannabis to pharmacies for medical cannabis patients. Until recently, the Company also actively operated in Canada through Trichome Financial Corp and its wholly owned subsidiaries, where it cultivated, processed, packaged, and sold premium and ultra-premium cannabis at its own facilities under the WAGNERS and Highland Grow brands for the adult-use market in Canada. The Company

has exited operations in Canada and considers these operations as discontinued.

## **Disclaimer for Forward-Looking Statements**

This press release contains forward-looking information or forward-looking statements under applicable Canadian and United States securities laws (collectively, "**forward-looking statements**"). All information that addresses activities or developments that we expect to occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "likely" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made. In the press release, such forward-looking statements include, but are not limited to, statements relating to: the Company leaving the Canadian cannabis market to pivot its focus and resources to achieve sustainable and profitable growth in its highest value markets, Israel and Germany; the impact of the Israel-Hamas war on the Company, including its operations and the medical cannabis industry in Israel; the timing and impact of the partial legalization of medicinal cannabis in Germany, including, the Company having it "all in house", the Company being positioned to take advantage of the partial legalization, the Company's growth in 2024, the market growth for medicinal cannabis in Germany, and the stated benefits of the Company's EU-GMP processing facility and an EU-GDP logistics center; the Company to host a teleconference meeting as stated; and the Company's stated goals, scope, and nature of operations in Germany, Israel, and other jurisdictions the Company may operate.

Forward-looking statements are based on assumptions that may prove to be incorrect, including but not limited to: the Company's ability to focus and resources to achieve sustainable and profitable growth in its highest value markets; the Company's ability to mitigate the impact of the Israel-Hamas war on the Company; the Company's ability to take advantage of the partial legalization of medicinal cannabis in Germany; the Company's ability to host a teleconference meeting as stated; and the Company's ability to carry out its stated goals, scope, and nature of operations in Germany, Israel, and other jurisdictions the Company may operate.

The above lists of forward-looking statements and assumptions are not exhaustive. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated or implied by such forward-looking statements due to a number of factors and risks. These include: the failure of the Company to comply with applicable regulatory requirements in a highly regulated industry; unexpected changes in governmental policies and regulations in the jurisdictions in which the Company operates; the Company's ability to continue to meet the listing requirements of the Canadian Securities Exchange and the NASDAQ Capital Market; any unexpected failure to maintain in good standing or renew its licenses; the ability of the Company and Focus Medical (collectively, the "**Group**") to deliver on their sales commitments or growth objectives; the reliance of the Group on third-party supply agreements to provide sufficient quantities of medical cannabis to fulfil the Group's obligations; the Group's possible exposure to liability, the perceived level of risk related thereto, and the anticipated results of any litigation or other similar disputes or legal proceedings involving the Group; the impact of increasing competition; any lack of merger and acquisition opportunities; adverse market conditions; the inherent uncertainty of production quantities, qualities and cost estimates and the potential for unexpected costs and expenses; risks of product liability and other safety-related liability from the usage of the Group's cannabis products; supply chain constraints; reliance on key personnel; the risk of defaulting on existing debt; risks surrounding war, conflict and civil unrest in Eastern Europe and the Middle East, including the impact of the Israel-Hamas war on the Company, its operations and the medical cannabis industry in Israel; risks associated with the Company focusing on the Israel and Germany markets; the inability of the Company to achieve sustainable profitability and/or increase shareholder value; the inability of the Company to actively manage costs and/or improve margins; the inability of the company to grow and/or maintain sales; the inability of the Company to meet its goals and/or strategic plans; the inability of the Company to reduce costs and/or maintain revenues; the Company's inability to take advantage of the partial legalization of medicinal cannabis in Germany; and the Company's inability to host a

teleconference meeting as stated.

Please see the other risks, uncertainties and factors set out under the heading "Risk Factors" in the Company's annual report dated March 28, 2024, which is available on the Company's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and Edgar at [www.sec.gov/edgar](http://www.sec.gov/edgar). Any forward-looking statement included in this press release is made as of the date of this press release and is based on the beliefs, estimates, expectations and opinions of management on the date such forward looking information is made. The Company does not undertake any obligation to update forward-looking statements except as required by applicable securities laws. Investors should not place undue reliance on forward-looking statements. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

<sup>1</sup> Earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") and Adjusted EBITDA. These measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("**IFRS**") and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-IFRS measures provide investors with a supplemental measure of the Company's operating performance and therefore highlight trends in Company's core business that may not otherwise be apparent when relying solely on IFRS measures. Management uses non-IFRS measures in measuring the financial performance of the Company.

<sup>2</sup> Based on reporting by Insight Health's as of December 31, 2023.

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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

		December 31,	
	Note	2023	2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 1,813	\$ 2,449
Trade receivables	6	7,651	8,684
Advances to suppliers		936	1,631
Other accounts receivable	7	3,889	3,323
Inventory	9	9,976	16,585
		<u>24,265</u>	<u>32,672</u>
NON-CURRENT ASSETS:			
Property, plant and equipment, net	10	5,058	5,221
Investments in affiliates	15c	2,285	2,410

Right-of-use assets, net	12	1,307	1,929
Deferred tax assets, net	17	-	763
Intangible assets, net	11	5,803	7,910
Goodwill	11	<u>10,095</u>	<u>9,771</u>
		<u>24,548</u>	<u>28,004</u>
Total assets		<u>\$ 48,813</u>	<u>\$ 60,676</u>

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31,	
		2023	2022
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	14	\$ 9,223	\$ 15,312
Credit from banks and others	13	12,119	9,246
Other accounts payable and accrued expenses	15	6,218	6,013
Accrued purchase consideration liabilities	5	2,097	2,434
PUT Option liability		2,697	
Current maturities of operating lease liabilities	12	<u>454</u>	<u>814</u>
		<u>32,808</u>	<u>33,819</u>
<b>NON-CURRENT LIABILITIES:</b>			
Warrants measured at fair value	17	38	8
Operating lease liabilities	12	815	1,075
Credit from banks and others		394	399
Employee benefit liabilities, net	16	95	246
Deferred tax liability, net	19	<u>963</u>	<u>1,332</u>
		<u>2,305</u>	<u>3,060</u>
Total liabilities		<u>35,113</u>	<u>36,879</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b>			
Share capital and premium	20	253,882	245,776
Translation reserve		95	1,283
Reserve from share-based payment transactions		9,637	15,167
Accumulated deficit		<u>(249,145)</u>	<u>(239,574)</u>
Total equity attributable to shareholders of the Company		14,469	22,652
Non-controlling interests		<u>(769)</u>	<u>1,145</u>
Total equity		<u>13,700</u>	<u>23,797</u>
Total equity and liabilities		<u>\$ 48,813</u>	<u>\$ 60,676</u>

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

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

Canadian Dollars in thousands

Note	Year ended December 31,		
	2023	2022	*) 2021

Revenues	21	\$ 48,804	\$ 54,335	\$ 34,053
Cost of revenues	21	<u>37,974</u>	<u>43,044</u>	<u>25,458</u>
Gross profit before fair value adjustments		<u>10,830</u>	<u>11,291</u>	<u>8,595</u>
Fair value adjustments:				
Unrealized change in fair value of biological assets		-	(315)	6,308
Realized fair value adjustments on inventory sold in the year		<u>(984)</u>	<u>(1,814)</u>	<u>(8,570)</u>
Total fair value adjustments		<u>(984)</u>	<u>(2,129)</u>	<u>(2,262)</u>
Gross profit after fair value adjustments		<u>9,846</u>	<u>9,162</u>	<u>6,333</u>
General and administrative expenses	21	11,008	21,460	17,221
Selling and marketing expenses	21	10,788	11,473	6,725
Restructuring expenses	1	617	4,383	-
Share-based compensation	20	<u>225</u>	<u>2,637</u>	<u>5,422</u>
Total operating expenses		<u>22,638</u>	<u>39,953</u>	<u>29,368</u>
Operating loss		<u>(12,792)</u>	<u>(30,791)</u>	<u>(23,035)</u>
Finance income		7,006	6,703	23,544
Finance expenses		<u>(3,671)</u>	<u>(1,972)</u>	<u>(673)</u>
Finance income (expense), net		<u>3,335</u>	<u>4,731</u>	<u>22,871</u>
Loss before income taxes		(9,457)	(26,060)	(164)
Income tax expense (benefit)	18	<u>771</u>	<u>(1,138)</u>	<u>500</u>
Net loss from continuing operations		(10,228)	(24,922)	(664)
Net loss from discontinued operations, net of tax	25	<u>-</u>	<u>(166,379)</u>	<u>(17,854)</u>
Net loss		<u>(10,228)</u>	<u>(191,301)</u>	<u>(18,518)</u>

\*) Reclassified in respect of discontinued operations - see Note 25.

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

#### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Canadian Dollars in thousands, except per share data

	Note	Year ended December 31,		
		2023	2022	*) 2021
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on defined benefit plans		38	59	21
Exchange differences on translation to presentation currency		<u>(894)</u>	<u>(1,238)</u>	<u>858</u>
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>(856)</u>	<u>(1,179)</u>	<u>879</u>
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:				
Adjustments arising from translating financial statements of foreign operation		<u>231</u>	<u>(246)</u>	<u>530</u>
Total other comprehensive income (loss)		<u>(625)</u>	<u>(1,425)</u>	<u>1,409</u>
Total comprehensive loss		<u>\$ (10,853)</u>	<u>\$ (192,726)</u>	<u>\$ (17,109)</u>

Net loss attributable to:

Equity holders of the Company		\$ (9,498)	\$ (188,890)	\$ (17,763)
Non-controlling interests		(730)	(2,411)	(752)
		<u>\$ (10,228)</u>	<u>\$ (191,301)</u>	<u>\$ (18,518)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company		\$ (10,648)	\$ (190,162)	\$ (16,357)
Non-controlling interests		\$ (205)	(2,564)	(752)
		<u>\$ (10,853)</u>	<u>\$ (192,726)</u>	<u>\$ (17,109)</u>
Earnings (loss) per share attributable to equity holders of the Company from continuing operations: 22				
Basic earnings (loss) per share (in CAD)		<u>\$ (0.74)</u>	<u>\$ (3.13)</u>	<u>\$ 0.02</u>
Diluted loss per share (in CAD)		<u>\$ (0.74)</u>	<u>\$ (3.81)</u>	<u>\$ (3.62)</u>
Loss per share attributable to equity holders of the Company from discontinued operations:				
Basic and diluted loss per share (in CAD)		<u>-</u>	<u>\$ (23.17)</u>	<u>\$ (3.08)</u>
Loss per share attributable to equity holders of the Company from net loss:				
Basic earnings (loss) per share (in CAD)		<u>\$ (0.74)</u>	<u>\$ (26.3)</u>	<u>\$ (3.06)</u>
Diluted loss per share (in CAD)		<u>\$ (0.74)</u>	<u>\$ (26.98)</u>	<u>\$ (6.7)</u>
*) Reclassified in respect of discontinued operations - see Note 25.				

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

#### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Share capital and premium	Treasury Stock	Reserve from share- based payment transactions	Translation reserve	Accumulated deficit	Total	Non- controlling interests	Total equity
Balance as of January 1, 2021	\$ 37,040	\$ -	\$ 5,829	\$ 1,229	\$ (33,001)	\$ 11,097	\$ 1,513	\$ 12,610
Net loss	-	-	-	-	(17,763)	(17,763)	(755)	(18,518)
Total other comprehensive income	-	-	-	1,385	21	1,406	3	1,409
Total comprehensive income (loss)	-	-	-	1,385	(17,742)	(16,357)	(752)	(17,109)
Issuance of common shares, net of issuance costs of \$3,800	195,259	-	-	-	-	195,259	2,948	198,207
Purchase of treasury common shares	-	(660)	-	-	-	(660)	-	(660)
Exercise of warrants and compensation options	4,293	-	-	-	-	4,293	-	4,293
Exercise of options	1,053	-	(920)	-	-	133	-	133
Share-based compensation	-	-	7,471	-	-	7,471	-	7,471
Expired options	32	-	(32)	-	-	-	-	-
Balance as of December 31, 2021	237,677	(660)	12,348	2,614	(50,743)	201,236	3,709	204,945
Net loss	-	-	-	-	(188,890)	(188,890)	(2,411)	(191,301)
Total other comprehensive income (loss)	-	-	-	(1,331)	59	(1,272)	(153)	(1,425)
Total comprehensive loss	-	-	-	(1,331)	(188,831)	(190,162)	(2,564)	(192,726)
Issuance of treasury common shares	-	660	-	-	-	660	-	660
Issuance of shares, net of issuance costs of \$178	6,818	-	-	-	-	6,818	-	6,818
Exercise of options	992	-	(659)	-	-	333	-	333
Share-based compensation	-	-	3,767	-	-	3,767	-	3,767
Expired options	289	-	(289)	-	-	-	-	-
Balance as of December 31, 2022	245,776	-	15,167	1,283	(239,574)	22,652	1,145	23,797



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

#### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Share capital and premium*)	Reserve from share-based payment transactions	Translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance as of December 31, 2022	245,776	15,167	1,283	(239,574)	22,652	1,145	23,797
Net loss	-	-	-	(9,498)	(9,498)	(730)	(10,228)
Total other comprehensive income (loss)	-	-	(1,188)	38	(1,150)	525	(625)
Total comprehensive loss	-	-	(1,188)	(9,460)	(10,648)	(205)	(10,853)
Issuance of treasury common shares	2,351	-	-	-	2,351	-	2,351
Issuance of shares, net of issuance costs of \$178							
Exercise of options							
Other comprehensive income Classification	-	-	-	(111)	(111)	(1,709)	(1,820)
Share-based compensation	-	225	-	-	225	-	225
Expired options	5,755	(5,755)	-	-	-	-	-
Balance as of December 31, 2023	<u>253,882</u>	<u>9,637</u>	<u>95</u>	<u>(249,145)</u>	<u>14,469</u>	<u>(769)</u>	<u>13,700</u>

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

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Year ended December 31,		
	2023	2022	2021
<u>Cash provided from operating activities:</u>			
Net loss	\$ (10,228)	\$ (191,301)	\$ (18,518)
Adjustments for non-cash items:			
Unrealized gain on changes in fair value of biological assets	-	(84)	(7,210)
Fair value adjustment on sale of inventory	984	4,342	8,796
Fair value adjustment on warrants, investments, and accounts receivable	(6,955)	(6,000)	(21,638)
Depreciation of property, plant and equipment	644	3,044	3,021
Amortization of intangible assets	1,758	2,343	1,158
Depreciation of right-of-use assets	594	1,944	1,550
Impairment of goodwill	-	107,854	275
Impairment of property, plant and equipment	-	2,277	-
Impairment of intangible assets	-	7,199	-
Impairment of right-of-use assets	-	1,914	-
Finance income, net	3,019	6,532	1,262
Deferred tax payments (benefit), net	394	(3,004)	278
Share-based payments	225	3,767	7,471
Share based acquisition costs related to business combination	-	-	807
Revaluation of other accounts receivable	-	3,982	-
Restructuring expenses	-	8,757	-
Loss from revaluation of investments	601	-	-
	<u>1,264</u>	<u>144,867</u>	<u>(4,230)</u>
Changes in non-cash working capital:			

Increase (decrease) in trade receivables, net	2,320	6,058	(6,602)
Increase (decrease) in other accounts receivable and advances to suppliers	1,299	3,622	845
Decrease in biological assets, net of fair value adjustments	-	565	6,412
Increase (decrease) in inventory, net of fair value adjustments	4,771	883	(19,707)
Increase (decrease) in trade payables	(6,098)	11,284	5,573
Changes in employee benefit liabilities, net	(139)	(63)	28
Increase in other accounts payable and accrued expenses	(750)	12,126	2,661
	<u>1,403</u>	<u>34,475</u>	<u>(10,790)</u>
Taxes paid	(514)	(681)	(834)
Net cash used in operating activities	<u>(8,075)</u>	<u>(12,640)</u>	<u>(34,372)</u>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Year ended December 31,		
	2023	2022	2021
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment	(581)	(1,562)	(4,578)
Proceeds from sales of property, plant and equipment	-	210	-
Proceeds from loans receivable	-	350	7,796
Purchase of intangible assets	-	-	(17)
Acquisition of businesses, net of cash acquired	-	-	(12,536)
Deconsolidation of subsidiary (see Note 25)	-	(406)	-
Investments in financial assets	-	-	(13)
Proceeds from sale of investment	-	-	319
Proceeds from (investment in) restricted deposits	-	-	17
Investments in associates	(601)	(125)	-
Net cash used in investing activities	<u>(1,182)</u>	<u>(1,533)</u>	<u>(9,012)</u>
<u>Cash provided by financing activities:</u>			
Proceeds from issuance of share capital, net of issuance costs	1,688	3,756	28,131
Proceeds from issuance of warrants measured at fair value	6,585	-	11,222
Proceeds from exercise of warrants	-	-	3,682
Proceeds from exercise of options	-	333	133
Repayment of lease liability	(586)	(1,656)	(633)
Payment of lease liability interest	(63)	(1,429)	(1,347)
Proceeds from loans	5,482	9,636	7,804
Repayment of loans	(4,827)	(4,976)	-
Interest paid	(1,664)	(902)	(261)
Proceeds from discounted checks	2,802	-	-
Net cash provided by financing activities	<u>9,417</u>	<u>4,762</u>	<u>48,731</u>
Effect of foreign exchange on cash and cash equivalents	<u>(796)</u>	<u>(2,043)</u>	<u>(329)</u>
Increase (decrease) in cash and cash equivalents	(636)	(11,454)	5,018
Cash and cash equivalents at beginning of year	<u>2,449</u>	<u>13,903</u>	<u>8,885</u>
Cash and cash equivalents at end of year	<u>\$ 1,813</u>	<u>\$ 2,449</u>	<u>\$ 13,903</u>

Supplemental disclosure of non-cash activities:

Right-of-use asset recognized with corresponding lease liability	\$ 309	\$ 613	\$ 1,678
Conversion of warrant and compensation options into common shares	\$ -	\$ -	\$ 611
Issuance of shares in payment of purchase consideration liability	\$ -	\$ 3,061	\$ -
Issuance of shares in payment of debt settlement to a non-independent director of the company	\$ 1,061	\$ -	\$ -

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