ATLAS™
GLOBAL BRANDS

Consolidated Financial Statements

For the 15-month period ending March 31, 2023 and for the period from incorporation on March 17, 2021 to December 31, 2021
(Stated in Canadian Dollars)

CSE: ATL

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Independent Auditor's Report

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Independent Auditor's Report

To the Shareholders of Atlas Global Brands Inc.

Opinion

We have audited the consolidated financial statements of Atlas Global Brands Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the 15 month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the 15 month period then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of $16,447,572 during the 15 month period ended March 31, 2023 and, as of that date, the Group had a cumulative deficit of $16,507,981 and it's current liabilities exceeded its current assets by $25,432,813. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for business combination transactions

Description of the key audit matter

The Group completed a number of acquisitions during the period ended March 31, 2023 and subsequent to that date. The accounting for these transactions carry significant complexity related to technical accounting and valuation, requiring management to apply significant judgment and estimation in their evaluation of these transactions. We have therefore considered these transactions to be a key audit matter due to the judgment and estimation involved in determining their accounting and disclosures.

Please refer to Note 3(h) to the consolidated financial statements for the Group's accounting policy on business combinations and goodwill and Notes 3(s)(vi), 5 and 31 which detail the critical judgments and estimates applied in determining the accounting and presentation for the Group's acquisition transactions.

How the key audit matter was addressed in the audit

Our approach in addressing this matter included the following procedures, among others:

- Evaluated management's analysis of the transactions, related contracts and application of the guidance from IFRS 2, *Share-based Payment*, and IFRS 3, *Business Combinations*.
- Performed procedures to corroborate management assumptions and judgment to supporting documentation.
- Evaluating management's determination of the accounting acquirer, supported in part by Cambrosia Ltd.'s ability to appoint a majority of directors to the Group.
- Evaluated management's appraisal of property, plant and equipment acquired in the acquisition transactions.
- Considered appropriate supporting evidence to support estimates and judgements applied in management's purchase price allocations that have a material impact on the valuation of the consideration provided, recognized assets and assumed liabilities.
- Involved our valuation specialists to evaluate the methodology applied in management's purchase price allocations and the reasonableness of key assumptions applied therein.
- Considered the adequacy of the disclosures included in Note 3(h), 3(s)(vi), 5 and 31.

Impairment

Description of the key audit matter

Given the Group continues to develop its business and has not yet reached profitability, there is a risk of material impairment to goodwill and other non-current assets. Determination as to whether there is impairment relating to an asset or Cash Generating Unit (CGU) involves significant judgment about the future cash flows and plans for those assets and CGUs. We have therefore considered this a key audit matter due to the judgment involved in assessment of impairment.

At March 31, 2023, an impairment charge of $7.3 million was recorded against goodwill.

Please refer to Notes 3(i) and 3(q) to the consolidated financial statements for the Group's accounting policy on impairment of non-current assets and Notes 3(s)(iii), 3(s)(vii) and 11 which detail the critical judgments applied in estimating impairment of its non-current assets.

How the key audit matter was addressed in the audit

Our approach in addressing this matter included the following procedures, among others:

- Evaluated the Group's impairment calculations including the testing of the recoverable amount of each CGU where there were indicators of impairment, or there was significant goodwill or other non-financial assets.
- Evaluated the Group's assessment of indicators of impairment. Where we or the Group determined indicators existed, we considered the Group's calculation of the recoverable amount of each CGU.
- Assessed the reasonableness of management's cash flow projections applied in the impairment models.

- Involved our valuation specialists to assess the impairment models and evaluate the reasonableness of key assumptions including the discount rate and forecast growth assumptions.
- Performed sensitivity analyses around the key drivers of the cash flow projections. Having determined the change in assumptions (individually or collectively) that would be required for the CGUs to be impaired, we considered the likelihood of such a movement in those key assumptions arising.
- Considered the adequacy of the disclosures included in Note 3(i), 3(q), 3(s)(iii), 3(s)(vii) and 11.

Valuation of biological assets

Description of the key audit matter

At the end of each reporting date and on the date biological assets are acquired in a business combination, management measures biological assets, consisting of cannabis plants, at fair value up to the point of harvest, less costs to complete and sell. This measurement involves judgment around various estimates and assumptions including selling price, average growth cycle, stage of growth, yield by plant, wastage, and post-harvest costs. We have therefore considered this a key audit matter due to the judgment involved in the estimation of fair value.

Please refer to Note 3(c) to the consolidated financial statements for the Group's accounting policy on biological assets and Notes 3(s)(i) and 7 which detail the critical judgments applied in estimating the fair value of the biological assets.

How the key audit matter was addressed in the audit

Our approach in addressing this matter included the following procedures, among others:

- Obtained and reviewed management's fair value estimate in accordance with IAS 41, *Agriculture*;
- Obtained an understanding over the measurement of biological assets;
- Observed physical counts of the cannabis plants, performed our own test counts and inspecting the physical condition and stage of growth of the cannabis plants;
- Involved our valuation professionals with specialized skills and knowledge in evaluating the assumptions and inputs applied in the valuation models;
- Performed sensitivity analyses over the significant assumptions applied to determine the fair value of biological assets in order to assess the impact of variances in those assumptions in management's determination of fair value; and
- Considered the adequacy of the disclosures in Notes 3(c), 3(s)(i) and 7.

Net realizable value of finished goods inventory

Description of the key audit matter

Management values finished goods inventories at the lower of their cost and net realizable value. Net realizable value refers to the value at which the inventory can be sold to third parties in the ordinary course of business, less estimated costs to complete and to sell. This valuation is subject to judgment regarding estimates of the net realizable values. We have therefore considered this a key audit matter due to the assumptions applied in the assessment of net realizable value.

Please refer to Note 3(d) to the consolidated financial statements for the Group's accounting policy on inventory and Note 8 which detail the critical judgments applied in assessing the net realizable value of the inventories, including those related to harvested biological assets included in inventory.

How the key audit matter was addressed in the audit

Our approach in addressing this matter included the following procedures, among others:

- Obtained and reviewed management's net realizable value assessment;
- Observed physical counts of inventory, performed our own test counts and inspecting the physical condition of inventories;
- Tested net realizable value by comparing carrying amount to relevant selling price data; and
- Considered the adequacy of the disclosures in Notes 3(d), and 8.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 30 to the consolidated financial statements, which explains that certain comparative information as at December 31, 2021 and for the period from incorporation on March 17, 2021 to December 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements as at December 31, 2021 and for the period from incorporation on March 17, 2021 to December 31, 2021 excluding the adjustments that were applied to restate certain comparative information were audited in accordance with International Standards on Auditing by another auditor who expressed an unmodified opinion on those financial statements on April 29, 2022.

As part of our audit of the financial statements as at March 31, 2023 and for the 15 month period ended March 31, 2023, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements as at December 31, 2021 and for the period from incorporation on March 17, 2021 to December 31, 2021. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Bryndon L. Kydd.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 9, 2024

Consolidated Financial Statements

ATLAS GLOBAL BRANDS INC.

Consolidated Statements of Financial Position

(Stated in Canadian dollars)

As at	Note		March 31, 2023		December 31, 2021 Restated – see note 30
ASSETS					
Current					
Cash		**$**	**2,614,498**	$	127,205
Short-term investments			**35,833**		-
Trade and other receivables	6		**5,424,743**		-
Biological assets	7		**1,892,745**		-
Inventories	8		**11,000,939**		-
Deposits and prepaid assets	9		**2,126,110**		302,150
			23,094,868		429,355
Non-current Assets					
Property, plant and equipment	10		**36,412,517**		-
Right-of-use assets	14		**1,104,081**		-
Intangible assets	11		**608,970**		-
Goodwill	11		**430,445**		-
Other non-current assets			**2,156**		-
TOTAL ASSETS		**$**	**61,653,037**	$	429,355
LIABILITIES					
Current					
Trade and other payables	12, 21	**$**	**22,375,179**	$	7,071
Current portion of debt	13		**25,862,873**		-
Current portion of lease liabilities	14		**161,778**		-
Income taxes payable	22		**49,618**		-
Deferred revenue			**66,331**		-
Other current liabilities			**11,902**		-
			48,527,681		7,071
Non-current Liabilities					
Debt	13		**29,733**		-
Lease liabilities	14		**973,369**		-
Class B preferred shares	15		**804,203**		-
Shareholder loans	16		**633,009**		-
Put option liability	27		**1,552,683**		-
TOTAL LIABILITIES		**$**	**52,520,678**	$	7,071
EQUITY					
Share capital	17	**$**	**25,398,660**	$	516,977
Contributed surplus			**288,299**		12,335
Accumulated other comprehensive income			**(46,619)**		34,058
Retained earnings (deficit)			**(16,507,981)**		(141,086)
Total equity			**9,132,359**		422,284
TOTAL LIABILITIES & EQUITY		**$**	**61,653,037**	$	429,355

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

ON BEHALF OF THE BOARD: "**Elan MacDonald**" Director "**Peter Van Mol**" Director

ATLAS GLOBAL BRANDS INC.

Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian dollars, except number of shares and per share amounts)

	Note		For the 15 month period ended March 31, 2023		From the period of incorporation on March 17, 2021 to December 31, 2021 Restated – see note 30
Revenue	18	$	**6,212,241**	$	-
Excise taxes			**(410,906)**		-
NET REVENUE			**5,801,335**		-
Cost of sales	8		**5,884,071**		-
GROSS PROFIT BEFORE FAIR VALUE ADJUSTMENTS			**(82,736)**		-
Realized loss included in inventory expensed to cost of sales	8		**(1,324,227)**		-
Unrealized gain on changes in fair value of biological assets	7		**2,220,717**		-
Gross profit			**813,754**		-
Operating expenses	19		**9,326,439**		140,758
NET LOSS BEFORE OTHER (INCOME) EXPENSES			**(8,512,685)**		(140,758)
Other (income) expenses					
Other income	14		**(138,750)**		-
Finance expense	23		**631,250**		328
Finance income			**(16,296)**		-
Impairment of intangible assets and goodwill	11		**7,373,056**		-
Loss on foreign exchange			**4,950**		-
Total other (income) expenses			**7,854,210**		328
NET LOSS BEFORE INCOME TAXES			**(16,366,895)**		(141,086)
Income Taxes					
Current	22		**-**		-
Deferred	22		**-**		-
Total income taxes			**-**		-
NET LOSS			**(16,366,895)**		(141,086)
Other comprehensive (loss) income					
Exchange difference on translating foreign operations			**(80,677)**		34,058
Total other comprehensive (loss) income					
TOTAL COMPREHENSIVE LOSS		$	**(16,447,572)**	$	(107,028)
Basic loss per share		$	**(0.50)**	$	(0.00)
Diluted loss per share		$	**(0.50)**	$	(0.00)
Basic weighted average number of common shares			**32,969,660**		3,432,540
Diluted weighted average number of common shares			**32,969,660**		3,432,540

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

ATLAS GLOBAL BRANDS INC.

Consolidated Statements of Cash Flows

(Stated in Canadian dollars)

	Note		For the 15 month period ended March 31, 2023		From the period of incorporation on March 17, 2021 to December 31, 2021 Restated – see note 30
Operating					
Net loss		**$**	**(16,366,895)**	$	(141,086)
Items not affecting cash:					
Listing expense	5		**1,117,225**		
Unrealized gain on changes in fair value of biological assets	7		**(2,220,717)**		-
Realized loss included in inventory expensed of costs of sales	8		**1,324,227**		-
Depreciation on property, plant and equipment	10		**496,798**		-
Amortization of intangible assets	11		**8,128**		-
Impairment of goodwill and intangible assets	11		**7,373,056**		-
Depreciation of write of use assets	14		**63,462**		
Share based compensation	20		**122,445**		12,336
Finance expense			**413,687**		-
Changes in working capital items	25		**5,060,303**		(279,634)
Cash outflow from operating activities			**(2,608,281)**		(408,384)
Financing					
Proceeds from issuance of debt	13		**8,303**		-
Principal repayment of debt	13		**(958,976)**		-
Proceeds from issuance of common shares	17		**5,006,548**		528,932
Proceeds from shareholder loans	16		**190,979**		-
Repayment of lease liability	14		**(49,197)**		-
Cash inflow from financing activities			**4,197,657**		528,932
Investing					
Cash paid in business combination, net of cash acquired			**881,782**		-
Proceeds on disposition of investments			**78,604**		-
Purchase of property, plant and equipment	10		**(15,649)**		-
Cash inflow from investing activities			**944,738**		-
Effect of exchange rates on cash and equivalents			**(46,820)**		6,657
NET CASH INFLOW		**$**	**2,487,293**	$	127,205
CASH, BEGINNING OF PERIOD		**$**	**127,205**	$	-
CASH, END OF PERIOD		**$**	**2,614,498**	$	127,205

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

ATLAS GLOBAL BRANDS INC.

Consolidated Statements of Changes in Shareholders' Equity

(Stated in Canadian dollars)

As at	Note	Common Shares		Share Capital		Foreign currency translation reserve		Contributed surplus		Retained Earnings (deficit)		Total Shareholders Equity
Balance as at March 17, 2021		3,445,380	$	516,977	$	-	$	-	$	-	$	**516,977**
Share based compensation	30	-		-		-		12,335		-		**12,335**
Net loss		-		-		-		-		(141,086)		**(141,086)**
Exchange difference on translating foreign operations		-		-		34,058		-		-		**34,058**
Balance as at December 31, 2021, as restated		3,445,380		516,977		34,058		12,335		(141,086)		**422,284**
Share based compensation	20	**-**		**-**		**-**		**122,446**		**-**		**122,446**
Shares issued in a private placement	17	**27,883,262**		**5,776,788**		**-**		**-**		**-**		**5,776,788**
Shares issued in reverse takeover	17	**34,399,051**		**741,387**		**-**		**-**		**-**		**741,387**
Shares issued in business combination	5	**85,339,088**		**18,363,508**		**-**		**-**		**-**		**18,363,508**
Contribution from shareholders	16	**-**		**-**		**-**		**153,518**		**-**		**153,518**
Net loss		**-**		**-**		**-**		**-**		**(16,366,895)**		**(16,366,895)**
Exchange differences on translating foreign operations		**-**		**-**		**(80,677)**		**-**		**-**		**(80,677)**
Total comprehensive loss		**-**		**-**		**(80,677)**		**-**		**(16,366,895)**		**(16,447,572)**
Balance as at March 31, 2023		**151,066,781**	**$**	**25,398,660**	**$**	**(46,619)**	**$**	**288,299**	**$**	**(16,507,981)**	**$**	**9,132,359**

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

Notes to the Consolidated Financial Statements

1. The Company and its Operations

(a) Operational Information:

Atlas Global Brands Inc. (formerly Silver Phoenix Resources Inc.) ("Atlas" or "Atlas Global" or the "Company") is a publicly traded corporation with its common shares trading on the Canadian Securities Exchange ("CSE") under the symbol "ATL". Silver Phoenix Resources Inc. was incorporated on February 14, 2003 under the British Columbia Business Corporations Act ("BCBCA").

On December 30, 2022, the Company, pursuant to an amalgamation and share exchange agreement, acquired all of the issued and outstanding shares of Cambrosia Ltd. ("Cambrosia") and, as part of the same amalgamation and share exchange agreement, acquired two operating companies, Atlas Biotechnologies Inc. ("Atlas Biotech") and AgMedica Bioscience Inc. ("AgMedica") (the "Transaction"). Cambrosia was identified as the accounting acquirer and as a result the Transaction has been accounted for a reverse-take-over ("RTO"). Concurrently with the amalgamation and share exchange, Cambrosia acquired a 51% interest in each of Tlalim Papo Ltd., Pharmacy Baron Ltd. and R.J. Regavim Ventures Ltd., privately held operating pharmacies in Israel. The amalgamation and share exchange and the acquisition of the pharmacies was accounted for as one transaction. Refer to Note 5 for further details.

The Company changed its name to Atlas Global Brands Inc., on December 30, 2022. The registered head office of the Company is 566 Riverview Drive, Suite 104, Chatham, Ontario, N7M 0N2.

The Company operates two licensed cannabis subsidiaries in Canada and has operations in Israel including two pharmacies licensed for cannabis dispensing with expertise across the cannabis value chain: cultivation, manufacturing, marketing, distribution, and pharmacy. Atlas operates two fully accredited and licensed cannabis facilities in Canada, including one European Union Good Manufacturing Practices ("EU-GMP") certified facility, and has a majority interest in three pharmacies in Israel, two which had cannabis licenses.

These financial statements represent a continuation of Cambrosia's financial statements. Cambrosia was incorporated as of March 17, 2021. In 2023, the Company changed its year end from December 31 to March 31 and as a result, the current period represents 15 months of activity. Comparative financial information in the notes to these consolidated financial statements have not been included where the prior year balance was $nil.

(b) Going Concern:

These consolidated financial statements have been prepared on a going concern basis and do not reflect adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

During the fifteen months ended March 31, 2023, the Company had a net loss of $16,447,572 and as at March 31, 2023 had cumulative deficit of $16,507,981 and current liabilities exceeding current assets by $25,432,813. The above events and conditions indicate there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has historically financed its working capital requirements primarily through equity and debt financing. The Company's ability to continue as a going concern is dependent upon its ability to achieve and maintain profitable operations and generate the necessary funds or raise additional financing in order to meet current and future obligations. The Company expects to attain profitability and positive cash flows from operations through its international distribution strategy. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to obtain additional financing or that such financing will be available on reasonable terms.

(Stated in Canadian dollars, except as otherwise provided)

2. Basis of Presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on April 9, 2024.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for biological assets and certain financial instruments which are measured at fair value.

(c) Basis of consolidation

The consolidated financial statements include the accounts and results of operations of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over a subsidiary that exposes it or gives rights to variable returns that are related to its involvement in the subsidiary and is able to use its power to affect, either directly or indirectly, the amount of those returns. Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

The Company's subsidiaries are laid out below:

Name of Subsidiary	Jurisdiction of Incorporation	Functional currency	Ownership Interest	
			March 31, 2023	December 31, 2021
Atlas Global Brands Inc.[1]	Canada	CAD	100%	-%
Tlalim Papo Ltd. [1]	Israel	NIS	51%	-%
Pharmacy Baron Ltd. [1]	Israel	NIS	51%	-%
R.J. Regavim Ventures Ltd. [1]	Israel	NIS	51%	-%
AgMedica Bioscience Inc. [1]	Canada	CAD	100%	-%
5047346 Ontario Inc. [1]	Ontario	CAD	100%	-%
Tavivat Naturals Inc. [1]	Canada	CAD	100%	-%
8050678 Canada Inc. [1]	Canada	CAD	100%	-%
Unique Beverages (USA) Inc. [1]	USA	CAD	100%	-%
Wellworth Health Corp. [1]	Canada	CAD	100%	-%
Atlas Biotechnologies Inc. [1]	Alberta	CAD	100%	-%
Atlas Growers Ltd. [1]	Alberta	CAD	100%	-%
Atlas Growers Denmark A/S[1]	Denmark	CAD	100%	-%

[1]Controlling interest acquired as part of the Business Combination on December 30, 2022. Refer to Note 5 for further details relating to the Business Combination.

All intercompany balances and transactions have been eliminated upon consolidation.

The Company has opted not to recognize any non-controlling interest related to investments in its non-wholly owned subsidiaries due to the existence of call and put options over the non-controlling interests which will result in the Company obtaining ownership of 100% of these investments in the future.

2. Basis of Presentation (continued)

(d) Foreign currency

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars (“CAD”). Cambrosia’s functional currency is New Israeli Shekel (“NIS”), and the functional currencies of its subsidiaries are laid out above.

Transactions and balances

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency, which is Canadian dollars, at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars using average exchange rates for the month during which the transactions occurred. Foreign currency differences are recognized in the consolidated statement of loss and comprehensive loss within other comprehensive loss and are accumulated in the foreign currency translation reserve in the consolidated statement of financial position. When the Company disposes of its entire interest in a foreign operation, or loses control over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive (loss) income related to the foreign operation are recognized in profit or loss.

3. Significant Accounting Policies

The accounting policies described below have been applied consistently throughout the reporting periods presented in these consolidated financial statements.

(a) Cash

Cash includes cash-on-hand and deposits held with financing institutions.

(b) Short-term investments

Short-term investments are comprised of marketable securities and term deposits, stated at amortized cost. The Company considers purchases and sales of short-term investments to be investing activity.

(c) Biological assets

While the Company’s biological assets are accounted for within the scope of IAS 41, *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, *Inventories*. This includes the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production rooms, buildings, equipment and overhead costs such as utilities, to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded as cost of sales on the consolidated statements of loss and comprehensive loss in the period that the related product is sold. Biological assets are measured at their fair value less costs to sell in the Consolidated Statements of Financial Position. Unrealized fair value gains on growth of the biological assets are recorded separately in the Consolidated Statements of Loss and Comprehensive loss. Further information on estimates used in determining the fair value of biological assets can be found in Note 7.

3. Significant Accounting Policies (continued)

(d) Inventories

Inventories of finished goods and packaging and supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. The direct and indirect costs of finished goods inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of sales on the consolidated statements of operations and comprehensive loss at the time the cannabis is sold. Inventory is measured at lower of cost or net realizable value on the consolidated statement of financial position. The related realized fair value adjustments on inventory sold in the year is recorded separately in the consolidated statements of loss and comprehensive loss.

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is recognized on a straight-line basis, over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Land is not depreciated as its useful life is deemed to be indefinite. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

The estimated useful lives are as follows:

• Buildings and production rooms	10-20 years
• Production equipment	5-10 years
• Furniture and office equipment	5-7 years
• Leasehold improvements	Lease term
• Computer hardware	3-7 years
• Vehicles	5 years

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the consolidated statements of loss and comprehensive loss.

(f) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises right-of-use assets, representing the right to use the underlying assets, and the associated lease liabilities, representing the obligation to make lease payments.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the

3. Significant Accounting Policies (continued)

i) Right-of-use assets (continued)

commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office Space 5 to 6.5 years
- Equipment 3 years
- Vehicle 4.2 years

The right-of-use assets are also subject to impairment. Refer to Note 3(s).

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(g) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization of definite life intangibles is recognized on a straight-line basis over the estimated useful lives.

The estimated useful lives are as follows:

- Licences 20 years
- Certifications 20 years

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

(h) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

3. Significant Accounting Policies (continued)

(h) Business combinations (continued)

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of loss and comprehensive loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

(i) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a CGU, any impairment of goodwill previously recorded is not subsequently reversed.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(j) Revenue recognition – cannabis cultivation and distribution operations

Revenue from the sale of cannabis products is recognized at the point in time when control is transferred to the customer, which is on shipment or delivery of these products, depending on the contract.

Revenue includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Revenue also includes the net consideration to which the Company expects to be entitled. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of expected price discounts, allowances for customer returns and certain promotional activities and similar items.

Certain of the Company's customer contracts, most notably those with the Canadian provincial and territorial agencies, may provide the customer with a right of return. In certain circumstances the Company may also provide a retrospective price adjustment to a customer. These items give rise to variable consideration, which is recognized as a reduction of

3. Significant Accounting Policies (continued)

(j) Revenue recognition – cannabis cultivation and distribution operations (continued)

the transaction price based upon the expected amounts of the product returns and price adjustments at the time revenue for the corresponding product sale is recognized. The determination of the reduction of the transaction price for variable consideration requires that the Company make certain estimates and assumptions that affect the timing and amounts of revenue recognized.

Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing.

(k) Revenue recognition – pharmacy operations

Revenue consists of sales to customers of cannabis and other medicines prescribed by licensed physicians and dispensed by licensed pharmacists as well as over the counter consumer packaged goods at the Company's pharmacy locations. Revenue is recognized when control of the goods has been transferred to the customer, which is at the point of sale. Revenue is measured at the amount of consideration the Company expects to be entitled to, net of sales tax, discounts, estimated returns and estimated sales adjustments.

(l) Government assistance

The Company recognizes government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. Government grants related to income are recognized as other gains (losses) in the consolidated statements of loss and comprehensive loss while government grants related to assets are recognized as a reduction of the related asset's carrying amount.

(m) Share-based payment transactions

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of the equity instruments that will ultimately vest. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be satisfied, such that the amount ultimately recognized is based on the number of awards that ultimately vest.

Fair value for options is determined using the Black-Scholes option pricing model and fair value for Option and Restricted Share Units ("RSUs") is determined using the Company's share price at the grant date.

Expected forfeitures are estimated at the date of the grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. Cancellations of unvested equity settled share-based payments are accounted for as an acceleration of vesting and then remaining unamortized costs are recognized immediately in profit or loss.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received unless that fair value cannot be estimated reliably in which case, they are measured at the fair value of the equity instruments granted. Amounts related to the issuance costs of shares are recorded as a reduction of share capital. If the fair value of the goods or services received cannot be estimated reliably, the goods or services received, and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

(n) Income taxes

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the years, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3. Significant Accounting Policies (continued)

(n) Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for: i) temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; ii)

differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and, iii) differences arising on the initial recognition of goodwill.

(o) Financial Instruments

Financial assets

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when contractual rights have expired, or when substantially all of the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired. All financial instruments are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified as either fair value through profit or loss, fair value through other comprehensive income or amortized cost. The classification is determined based on the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized cost

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are recorded initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Interest and realized gains or losses are included in the consolidated statement of loss and comprehensive loss.

The Company's financial assets at amortized cost includes cash, short-term investments, trade and other receivable and deposits.

Financial liabilities

Financial liabilities are initially classified as 'subsequently measured at amortized cost' or 'financial liabilities at fair value through profit or loss'. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless designated as a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities for which the Company has elected to measure at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

3. Significant Accounting Policies (continued)

(o) Financial Instruments (continued)

All interest related charges and, if applicable, changes in a financial liability's fair value that are reported in profit or loss are included within finance expenses, net.

Financial liabilities are derecognized when they are extinguished or there is a substantial modification of the terms of an existing financial liability. The difference between the carrying amount of the financial liability extinguished and consideration paid, or financial liability assumed, is recognized in profit or loss.

The Company's financial liabilities which are classified and measured at amortized cost include trade and other payables, debt, shareholder loans, other short-term liabilities and Class B preferred shares.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are stated at fair value, with changes being recognized through the consolidated statement of loss and comprehensive loss.

The Company's financial liability, which is classified and measured at FVTPL, includes put option liability.

Impairment of financial assets

The Company applies an expected credit loss ("ECL") model to all debt financial assets not held at fair value through profit or loss, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the balance sheet date. For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial, factors specific to the debtors and general economic conditions.

(p) Basic and diluted earnings (loss) per share

The computation of basic earnings (loss) per share is computed by dividing the earnings (loss) attributable to common shareholders of the Company for the period by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings (loss) per share. The diluted earnings (loss) per share is equal to the basic earnings (loss) per share where the effect of convertible securities is antidilutive, as it would decrease the earnings (loss) per share.

(q) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in consolidated statement of loss and comprehensive loss.

The recoverable amount of an asset or CGU is the greater of its fair value less cost of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Fair value is the price that would be received from the sale of an asset or CGU in an orderly transaction between market participants at the measurement date.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

3. Significant Accounting Policies (continued)

(r) Fair value measurement

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorized into levels within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (Levels 1, 2 or 3). The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: one or more significant inputs used in a valuation technique are unobservable in determining fair values of the asset or liability.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available.

(s) Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Significant estimates and judgements used in the preparation of these consolidated financial statements include the following:

(i) Valuation of biological assets:

The Company measures its biological assets, consisting of cannabis plants, at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants being cultivated, and then adjusts that amount for the expected selling prices per gram and also for any additional costs to be incurred, such as post-harvest costs.

The following are the significant estimates required in determining the fair value of the Company's biological assets:

- Selling price
- Stage of growth and value associated with the stage
- Yield by plant
- Wastage
- Post-harvest costs

Further information on biological asset estimates is available in Note 7.

(ii) Estimated useful lives and depreciation of property, plant and equipment and intangibles assets

Depreciation and amortization of property and equipment, right-of-use assets and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets. Refer to Notes 10, 11 and 14 for further information.

(iii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the

3. Significant Accounting Policies (continued)

(s) Critical accounting estimates and judgements (continued)

assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11.

(iv) Fair value measurement

The Company uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Company bases its assumptions on observable data as far as possible, but this is not always available. In that case, the Company uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Refer to Note 27 for further information.

(v) Taxes

The Company estimates the amount of current and deferred income tax expenses, liabilities and assets, each reporting period. In estimating tax expense, management must use judgement in making estimates and assumptions including but not limited to, the timing of when future tax assets or liabilities will be realized, the tax rates expected to be in effect and applicable to temporary differences when they reverse, taxable income, and the utilization of tax loss carry forwards and credits available, if any. Refer to Note 22.

(vi) Business Combinations

Management exercised judgement in the accounting for the acquisition discussed in Note 5 in the following areas:

a) Management considered whether the acquisitions of Silver Phoenix, Atlas Biotech, AgMedica and the concurrent acquisition by Cambrosia of each of Tlalim Pappo Ltd., Pharmacy Baron Ltd., and R.J. Regavim Ventures Ltd were one transaction or multiple transactions. In making its determination, management considered that the acquisitions of Silver Phoenix, Atlas and AgMedica were part of the same Amalgamation and Share Exchange Agreement and were negotiated in contemplation of each other. Furthermore, the closing of Tlalim Pappo Ltd., Pharmacy Baron Ltd., and R.J. Regavim Ventures Ltd was contingent upon the closing of the acquisition of Silver Phoenix. As a result, management concluded that they are all part of a single transaction and has accounted for the acquisition of all entities as one business combination.

b) Management considered which entity in the acquisition was the acquirer. Management determined that Cambrosia was the accounting acquirer based on the fact that Cambrosia holds the rights to appoint the majority of the seats on the Board of Directors after the completion of the transaction and hold the majority of shareholdings and voting rights.

In recognizing a business combination, management is required to determine the fair value of net identifiable assets acquired. One of the most significant areas of estimation relates to the determination of the fair value property, plant and equipment. Determining the fair value requires the use of appropriate valuation techniques. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Refer to Note 5 for further details.

(vii) Identification of cash-generating units and allocation of goodwill

The allocation of goodwill to a CGU requires judgment with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the operations. Goodwill has been allocated to each CGU or group of CGUs based on the relative fair value of the expected contribution related to expected intragroup cannabis sales.

4. Future Accounting Pronouncements

(a) New standards, interpretations and amendments adopted

The following amendments were mandatorily effective for the periods beginning January 1, 2022 and had no effect on the Company's consolidated financial statements:

(b) New standards, interpretations and amendments adopted (continued)

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

(c) New standards, interpretations and amendments not yet effective

The following amendments are mandatorily effective for the period beginning January 1, 2023 and the Company does not expect these standards to have a material impact on the Company:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning January 1, 2024 and the Company is currently assessing the impact of these new accounting standards and amendments:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current); and
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).

5. Acquisitions

On December 30, 2022, the Company completed a reverse take over ("RTO") of Silver Phoenix Resources Inc. ("Silver Phoenix"), and as part of the same amalgamation and share exchange agreement, acquired two operating companies, Atlas Biotechnologies Inc. ("Atlas Biotech") and AgMedica Bioscience Inc. ("AgMedica") (the "RTO"). Concurrent with the acquisitions of 51% interest in each of Tlalim Pappo Ltd., Pharmacy Baron Ltd. and R.J. Regavim Ventures Ltd., privately held operating pharmacies in Israel, closed (the "Pharmacy Acquisitions"). Two of three pharmacies had cannabis licenses at the time of closing. The third pharmacy received its license in October 2023.

The acquisitions of Silver Phoenix, Atlas and AgMedica are part of the same Amalgamation and Share Exchange Agreement and were negotiated in contemplation of each other. Furthermore, the closing of the Pharmacy Acquisitions was contingent upon the closing of the RTO. As a result, management has determined that they are all part of a single transaction and has accounted for the acquisition of all entities as one business combination.

Concurrent with the RTO, the Company completed a private placement for net proceeds of $5,776,788. See Note 17.

(Stated in Canadian dollars, except as otherwise provided)

5. Acquisitions (continued)

The excess of fair value of consideration over the fair value of the net assets acquired is as follows:

		Acquisition of Atlas and AgMedica and Pharmacy Acquisitions	Acquisition of Silver Phoenix
Fair value of share consideration			
Cash consideration	$	1,331,326	-
Share consideration (i)		18,363,508	741,387
Put option liability (ii)		1,636,959	-
Total consideration	$	21,331,793	741,387
Net assets acquired			
Net working capital (iii)	$	3,118,950	(375,838)
Property, plant and equipment		37,538,249	-
Right of use assets		1,182,899	-
Right of use liabilities		(1,182,899)	-
Intangible assets		650,221	-
Debt		(26,074,039)	-
Preferred shares		(1,145,497)	-
Shareholder loans		(546,527)	-
Total net assets acquired	$	13,541,357	(375,838)
Goodwill	**$**	**7,790,436**	
Listing expense			**1,117,225**

(i) Share consideration

The share consideration has been determined based on the hypothetical number of shares that Cambrosia would have had to issue to the selling shareholders in order to achieve the same relative share ownership percentages that exist after the RTO. The fair value of the shares is based on the fair value of Cambrosia shares as determined in its most recent private placement before the RTO which was $0.2152.

(ii) Put option liability

Simultaneously with the closing of the Pharmacy Acquisitions, the Company was granted a call right that allows the Company to purchase all, and only all, the remaining shares in the Pharmacy Acquisitions for a 30-day period following the approval of the pharmacies' 2024 audited financial statements at a purchase price of 3x EBITDA. Following the expiry of the call option, the selling shareholders have the right to put all, and only all, of their shares to the Company for a 30-day window at a purchase price of 2x EBITDA. The Company has measured the put liability at the call price and has elected not to recognize the associated non-controlling interest.

(iii) Net working capital

The trade receivables comprise gross contractual amounts due of $4,836,960, of which $339,342 was not expected to be collected at the date of acquisition.

(iv) Goodwill

The excess of the purchase price over the net identifiable assets acquired and the liabilities assumed resulted in goodwill of $7,790,436, which was largely attributable to the synergies from combining operations. Goodwill is not deductible for tax purposes.

(Stated in Canadian dollars, except as otherwise provided)

5. Acquisitions (continued)

(v) Listing expense

Upon completion of the reverse takeover transaction, the former shareholders of Cambrosia became the controlling shareholders of Silver Phoenix. As the transaction does not meet the definition of a business combination, it was accounted for in accordance with IFRS 2, Share Based Payments, as a reverse takeover asset acquisition, with Cambrosia identified as the accounting acquirer. The difference between the consideration given up to acquire Silver Phoenix and the fair value of Silver Phoenix's net assets was recorded as a listing expense in operating expenses.

From the date of acquisition, the acquired companies contributed $6,062,325 of revenue and $14,492,381 to loss before income taxes during the 15-month period ended March 31, 2023.

Total acquisition-related transaction costs incurred by the Company in connection with the RTO was approximately $2,303,727 which has been recorded in operating expenses.

6. Trade and Other Receivables

The Company's trade and other receivables consists of the following:

		March 31, 2023
Trade accounts receivable	$	**3,767,640**
Accrued receivables		**806,241**
Indirect taxes receivable		**850,862**
Total trade and other receivables	$	**5,424,743**

The Company evaluates the necessity for an allowance for expected credit losses resulting from the inability to collect on its trade accounts. The evaluation considers customers' credit risk, the aging of trade accounts receivable, historical experience and current economic information.

As at March 31, 2023, the Company recorded an allowance for expected credit losses against trade accounts receivable in the amount of $202,167.

7. Biological Assets

The Company's biological assets consist of cannabis plants. The continuity of biological assets are as follows:

		March 31, 2023
Balance, December 31, 2021	$	**-**
Acquired in a business combination (Note 5)		**1,324,270**
Production costs capitalized		**3,173,324**
Net change in fair value less cost to sell due to biological transformation		**2,220,717**
Transferred to inventory upon harvest		**(4,825,566)**
Balance, March 31, 2023	$	**1,892,745**

The Company measures its biological assets at their fair value less costs to sell which is determined using a valuation model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling prices per gram and also for any additional costs to be incurred, such as post-harvest costs. For in-process biological assets, the fair value at the point of harvest is adjusted based on the stage of growth.

As at March 31, 2023, on average, in-process biological assets were 58.6% complete as to the expected harvest date. For the fifteen months ended March 31, 2023, the Company recorded an unrealized gain of $2,220,717 on the changes in the fair value of biological assets.

(Stated in Canadian dollars, except as otherwise provided)

7. Biological Assets (continued)

The Company estimates the harvest yields for the plants at various stages of growth. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in unrealized gain on changes in fair value of biological assets in the future periods.

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a cannabis plant that is 50% through its 12.5-week growing cycle would be ascribed approximately 50% of its harvest date expected fair value less costs to sell, (subject to any wastage adjustments).

The following significant unobservable inputs were used by management to determine the fair value of biological assets:

- **Selling price:** based upon a historical selling price by type, being Flower, Trim and Extracts, for the variety of all strains of dry cannabis and extracts produced by the Company, which is expected to approximate future selling prices;
- **Average growth cycle:** represents the weighted average number of weeks out of the expected growing cycle that the biological assets have reached as of the measurement date;
- **Stage of growth and value associated with each stage:** Value for each stage of growth is determined by reference to the percentage of completion, based on the average growth cycle, and the total expected costs and selling price from inception to harvest;
- **Yield by plant:** represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant; and
- **Post-harvest costs:** calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of cost of direct and indirect materials and labour related to labelling and packaging.

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

Significant inputs and assumptions		March 31, 2023		10% Change as at March 31, 2023
Selling price	**$**	**3.79**	$	179,819
Average growth cycle		**12.5**		(143,903)
Yield by plant[1]		**103**		93,222
Post-harvest costs[2]		**30%**		(72,377)

(1) Includes Flower and Trim forecasted from a plant. Yield varies based on grown strains.
(2) Percentage of selling price.

(Stated in Canadian dollars, except as otherwise provided)

8. Inventories

The Company's inventories consist of the following:

		Capitalized Costs		March 31, 2023 Fair Value Adjustments		Carrying Value
Work-in-progress						
Harvested cannabis	$	2,392,754	$	4,828,237	$	**7,220,991**
Extracted cannabis		989,659		70,291		**1,059,950**
Purchased cannabis		356,132		-		**356,132**
		3,738,545		4,898,528		**8,637,073**
Finished goods						
Harvested cannabis		435,458		577,525		**1,012,983**
Extracted cannabis		126,792		-		**126,792**
		562,250		577,525		**1,139,775**
Inventory in transit		45,759		-		**45,759**
Packaging and supplies		900,054		-		**900,054**
Non-cannabis products		278,278		-		**278,278**
Total inventories	**$**	**5,524,886**	**$**	**5,476,053**	**$**	**11,000,939**

Inventory expensed to cost of sales for the 15-month period ended March 31, 2023 was $5,884,071.

9. Deposits and Prepaid Expenses

The Company's deposits and prepaid expenses consists of the following:

		March 31, 2023		December 31, 2021
Prepaid expenses	**$**	**837,987**	$	263,980
Deposits – excise taxes and other		**1,261,123**		7,016
Other		**27,000**		31,154
Total deposits and prepaid expenses	**$**	**2,126,110**	$	302,150

(Stated in Canadian dollars, except as otherwise provided)

10. Property, Plant & Equipment

The Company's property, plant & equipment consists of the following:

As at	December 31, 2021	Acquired in a business combination (Note 5)	Additions / Depreciation	Net exchange differences	March 31, 2023
Cost					
Land	$ -	$ 1,044,038	$ -	$ -	**$ 1,044,038**
Buildings and production rooms	-	33,880,179	12,751	-	**33,892,930**
Production equipment	-	2,310,000	2,446	-	**2,312,446**
Furniture & office equipment	-	158,016	-	(3,005)	**155,011**
Leasehold improvements	-	37,490	-	(965)	**36,525**
Computer Hardware	-	825	452	-	**1,277**
Vehicles	-	107,701	-	(1,058)	**106,643**
Total cost	-	37,538,249	15,649	(5,028)	**37,548,870**
Accumulated Depreciation					
Buildings and production rooms	-	-	818,993	-	**818,993**
Production equipment	-	-	297,953	-	**297,953**
Furniture & office equipment	-	-	15,965	-	**15,965**
Leasehold improvements	-	-	1,113	-	**1,113**
Computer hardware	-	-	344	-	**344**
Vehicles	-	-	1,985	-	**1,985**
Total depreciation	-	-	1,136,353	-	**1,136,353**
Net book value	$ -	$ 37,538,249	$ (1,120,704)	$ (5,028)	**$ 36,412,517**

During the fifteen months ended March 31, 2023, total depreciation expense was $1,136,352 of which $567,964 has been capitalized to inventory (Note 8) and biological assets (Note 7).

Certain of the Company's property, plant and equipment is secured against debt – refer to Note 13.

(Stated in Canadian dollars, except as otherwise provided)

11. Intangible Assets and Goodwill

The Company's intangible assets consists of the following:

As at	December 31, 2021	Acquired in a business combination (Note 5)	Additions / Amortization	Impairment	Net exchange differences	March 31, 2023
Cost						
Licences	$ -	$ 325,000	$ -	$ -	$ (8,544)	**$ 316,456**
Certifications		325,221		(24,687)	-	**300,534**
Goodwill	-	7,790,436	-	(7,348,369)	(11,621)	**430,446**
Total cost	-	8,440,657	-	(7,373,056)	(20,165)	**1,047,436**
Accumulated Amortization						
Licenses	-	-	4,063	-	(107)	**3,956**
Certifications	-	-	4,065	-	-	**4,065**
Goodwill	-	-	-	-	-	**-**
Total amortization	-	-	8,128	-	(107)	**8,021**
Net book value	$ -	$ 8,440,657	$ (8,128)	$ (7,373,056)	$ (20,058)	**$ 1,039,415**

(Stated in Canadian dollars, except as otherwise provided)

11. Intangible Assets and Goodwill (continued)

At acquisition, goodwill is allocated to the CGUs expected to benefit from the synergies of the business combination in which the goodwill arises. The annual impairment test date is March 31.

At March 31, 2023, the carrying amount of goodwill allocated to the Company's CGUs was:

Cultivation and distribution	$	7,348,369
Pharmacy - Tlalim		153,345
Pharmacy - Baron		209,725
Pharmacy - Regavim		78,997
Total goodwill	$	7,790,436

The recoverable amount of the Company's CGUs was calculated based on its value in use, determined using the income approach based on discounted cash flows projected over a period of five years. At March 31, 2023, the recoverable amount of each CGU was:

Cultivation and distribution	$	21,180,684
Pharmacy - Tlalim		3,363,119
Pharmacy - Baron		2,543,505
Pharmacy - Regavim		1,378,062

The impairment of goodwill during the 15-month period ended March 31, 2023, was due to slower than expected growth in export sales. Key assumptions are as follows:

	Compound annual growth rate for revenue	Discount rate
Cultivation and distribution	19.9%	37.6%
Pharmacy - Tlalim	14.5%	33.5%
Pharmacy - Baron	14.8%	33.5%
Pharmacy - Regavim	15.9%	35.0%

Growth rates

The assumptions around the CGU's growth rates were based on management's best estimates, considering historical and expected operating plans, strategic plans, economic considerations, and the general outlook for the industry and markets in which the CGU operates.

Discount rate

The discount rate reflects appropriate adjustments relating to market risk and specific risk factors of the CGU.

Sensitivity to changes in assumptions

No reasonable changes to the key assumptions would result in further impairment of goodwill.

12. Trade and Other Payables

The Company's trade and other payables consists of the following:

		March 31, 2023		December 31, 2021
Trade accounts payable	$	**9,454,714**	$	-
Accrued liabilities		**1,743,828**		-
Government remittances		**8,877,886**		-
Payroll liabilities		**1,316,673**		3,951
Other liabilities		**982,078**		3,120
Total trade and other payables	$	**22,375,179**	$	7,071

As at March 31, 2023, excise taxes outstanding of $6,819,519 (December 31, 2021 - $nil) were included in government remittances.

(Stated in Canadian dollars, except as otherwise provided)

13. Debt

The Company's debt consists of the following:

		March 31, 2023				
		Current		Non-current		Total
Chatham, ON facility first mortgage[1,2]	$	3,000,000	$	-	$	3,000,000
Chatham, ON facility second mortgage[1,2]		12,100,000		-		12,100,000
Gunn, AB facility first mortgage[1,2]		6,774,633		-		6,774,633
Gunn, AB facility second mortgage[1,2]		1,652,301		-		1,652,301
Working capital loan[1,2]		969,169		-		969,169
Regional relief and recovery fund[1,2]		529,000		-		529,000
Debentures[1,2]		787,292		-		787,292
Other		50,478		29,733		80,211
Total	$	**25,862,873**	$	**29,733**	$	**25,892,606**

[1]Represent debts acquired as a part of business combinations. Refer to Note 5 on business combinations.
[2]Breach of covenants

The loans are subjected to covenant clauses, whereby the Company is required to meet certain key financial ratios. As of the acquisition date, all loans were callable by the lenders because the covenant clauses had been breached. Subsequent to the acquisition and to the date of issuance of these financial statements, the Company continued to not meet all required key financial ratios as outlined in the respective debt agreements.

Due to this breach of the covenant clauses, the lenders are contractually entitled to request for immediate repayment of the outstanding loan amount. The outstanding balance is presented as a current liability as at March 31, 2023.

The lenders had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors.

The change in the debt balance during the year is as follows:

Balance, December 31, 2021		-
Acquisitions (Note 5)	$	26,074,039
Additions		8,303
Repayments		(958,976)
Interest expense		768,605
Net exchange differences		635
Balance, March 31, 2023	**$**	**25,892,606**

(a) Chatham first mortgage

The Chatham first mortgage has a principal amount outstanding of $3,000,000 and bears interest at the greater of 9.5% or 4.25% plus the RBC Prime Lending Rate with the balance due on November 1, 2024. The Chatham first mortgage has first mortgage security on the Company's 566 Riverview facility.

(b) Chatham second mortgage

The Chatham second mortgage has a principal amount owing of $12,100,000 at an interest rate of 15.0% per annum, compounded monthly with the balance due on September 1, 2024. The security of this loan is a first mortgage security on the Company's 566 Riverview facility but ranks secondary to the $3,000,000 principal loan referred to above.

(c) Gunn first mortgage

The Gunn first mortgage has a principal amount owing of $6,774,633 and bears interest at a rate of 4.15% per annum with the maturity date February 1, 2031.

This loan is personally guaranteed by two former executives of the Company, one of whom was still active as at the reporting period date (both individuals are shareholders of the Company) (see also Note 21), a parental guarantee from Atlas of $1,400,000 and an unlimited guarantee from Atlas Growers for all present and future debts. The amounts are secured by a $15,000,000 mortgage and a general assignment of rents and leases on the Gunn facility and a security agreement on all the present and after acquired personal property, including proceeds, and including but not limited to all harvested and unharvested crops whether growing or matured and all production, processing and packaging equipment of Atlas and Atlas Growers. See also Note 31.

(Stated in Canadian dollars, except as otherwise provided)

13. Debt (continued)

(d) Gunn second mortgage

The Gunn second mortgage has a principal amount owing of $1,652,301 at an interest rate of 4.15% per annum with the maturity date October 1, 2026. Atlas has provided a limited corporate guarantee as discussed above.

(e) Working capital loan

The working capital loan of $1,000,000 has a maturity date on May 22, 2023. Interest accrues on the outstanding balance of the loan at a rate of 1.6% per month, which is equivalent to an annual interest rate is 19.44%. Refer to Note 31 for further information on this loan.

(f) Regional relief and recovery fund

The Regional Relief and Recovery Fund (RRRF) loan with a principal balance of $577,000 bears interest at the average bank rate (prime) plus 3%, and is payable in monthly blended payments of $16,000, and ending with a final payment of $17,000 on the maturity date of December 31, 2025.

(g) Debentures

The debentures have a principal amount owing of $787,292, bear interest of 13% - 15% per annum with the maturity dates between February 8, 2023 and July 1, 2023.

14. Leases

The Company as lessee

Lease liabilities are presented in the consolidated statement of financial position as follows:

		March 31, 2023
Current	$	161,778
Non-current		973,369
	$	1,135,147

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on the consolidated statement of financial position:

	Number of right of use leased assets	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments linked to an index	Number of leases with termination options
Properties	4	4.5 – 6.3 years	5 years	-	-	-	-
Motor vehicles	2	3.8 – 4.1 years	4 years	-	2	-	-
Equipment	4	3.2 – 3.8 years	3.2 years	-	-	-	-
				-	2	-	-

Future minimum lease payments as at March 31, 2023 are as follows:

	Minimum lease payments due					
		Lease payments		Finance charges		Net present value
Within 1 year	$	237,357	$	75,579	$	161,778
1-2 years		247,591		63,929		183,662
2-3 years		251,820		53,085		198,735
3-4 years		253,848		37,958		215,890
4-5 years		214,307		14,564		199,743
5-6 years		156,004		7,396		148,608
Beyond 6 years		26,861		130		26,731
Total	**$**	**1,387,788**	**$**	**252,641**	**$**	**1,135,147**

(Stated in Canadian dollars, except as otherwise provided)

14. Leases (continued)

The following table outlines the cash outflow and interest expense related to lease liabilities:

		For the 15 month period ended March 31, 2023
Cash outflow	$	**49,197**
Interest expense	$	**20,208**

Additional information on the right-of-use assets by class of assets is as follows:

		Properties		Equipment		Vehicles		Total
Gross carrying amount								
Balance, December 31, 2021	$	-	$	-	$	-	**$**	**-**
Acquired in a business combination (Note 5)		1,035,989		11,328		135,582		**1,182,899**
Additions		-		4,619		-		**4,619**
Foreign exchange		(19,975)		-		-		**(19,975)**
Balance, March 31, 2023	$	1,016,014	$	15,947	$	135,582	**$**	**1,167,543**
Depreciation								
Balance, December 31, 2021	$	-	$	-	$	-	**$**	**-**
Additions		51,045		1,435		10,982		**63,462**
Balance, March 31, 2023	$	51,045	$	1,435	$	10,982	**$**	**63,462**
Carrying amount, March 31, 2023	$	964,969	$	14,512	$	124,600	**$**	**1,104,081**

The Company as lessor:

The Company generated $97,883 in rental income (which is included in other income in the consolidated statements of loss and comprehensive loss) during the fifteen months ended March 31, 2023 and from incorporation on March 17, 2021 to December 31, 2021 respectively.

The Company generates rental income earned from operating leases with third party tenants in the Company's owned properties. These properties are carried at amortized cost and included in property, plant, and equipment on the consolidated statement of financial position.

The Company expects to generate other income from lease payments under non-cancellable operating leases within the next five years as follows:

	Total
2024	250,536
2025	151,500
2026	132,813
2027	22,135
2028	-
Thereafter	-
Total lease payments	556,984

(Stated in Canadian dollars, except as otherwise provided)

15. Class B Preferred Shares

Balance, December 31, 2021	$	-
Acquired in a business combination		1,145,497
Interest expense		70,613
Changes in estimated amount or timing of cash flows		(411,907)
Balance, March 31, 2023	**$**	**804,203**

The Company acquired 4,999,933 Class B - Preferred Shares (the "Preferred Shares") as part of the acquisition described in Note 5. The Preferred Shares are non-voting, and the holders are entitled to receive a pro rata annual cumulative return of capital of an amount equal to 10% of the Company's subsidiary, AgMedica's, free cash flow during that fiscal year, based on AgMedica's annual financial statements, with payment to be rendered within 60 days after AgMedica issues its annual financial statements.

The Preferred Shares become automatically redeemable by the Company for nil proceeds on the date on which the entire principal amount of $4,999,933 has been returned to the holders of the Preferred Shares by way of the preferential return of capital described above, or any other distributions of capital.

The Company has determined that the Preferred Shares are a financial liability, as the Company has a contractual obligation to deliver cash. The Preferred Shares have no fixed repayment terms and repayment is based on the Company's ability to generate free cash flow. The Company recognized the Preferred Shares at their fair value of $1,145,497 on the acquisition date which was determined based on expected cash flows, expected time of repayment of seven years and a discount rate of 25%. The Preferred Shares are subsequently measured using amortized cost, whereby the Company recognizes interest expense using the effective interest rate, and then determines the revised carrying value by reassessing the expected amount and timing of the cash payments and discounting them using the original effective interest rate. Any difference between the old carrying amount and the new carrying amount is recognized in the consolidated statement of loss and comprehensive loss.

During the fifteen months ended March 31, 2023 the Company recorded interest accretion expense using the effective interest rate of 25% of $70,613.

16. Shareholder Loans

Balance, December 31, 2021	$	-
Acquired in a business combination		546,527
Advances		37,461
Interest expense		19,637
Changes in estimated amount or timing of cash flows		30,809
Foreign exchange		(1,425)
Balance, March 31, 2023	**$**	**633,009**

The Company acquired certain shareholder loans as part of the acquisition described in Note 5. The shareholder loans are repayable based on 50% of the excess cash balance at each month end. The loans are non-interest bearing and have been discounted at an interest rate of 14.48% on the date of acquisition. During the 15-month period ended March 31, 2023, the shareholders advanced $190,979, the fair value of which was $37,461 based on a discount rate of 20.28%. The total amounts advanced as at March 31, 2023 is $1,165,794. The difference between the cash advanced and the fair value was recorded as a contribution from shareholders of $153,518 in the statement of changes in shareholders' equity. One of the loans was advanced by a member of the Company's Board. See Note 21.

(Stated in Canadian dollars, except as otherwise provided)

17. Share Capital

(a) Authorized and issued

Unlimited common shares without par value.

(b) Share continuity

	Number of common shares		$
Balance, March 17 and December 31, 2021	3,445,380	$	516,977
Shares issued in a private placement	27,883,262		5,776,788
Shares issued in reverse takeover	34,399,051		741,387
Shares issued in business combination (Note 5)	85,339,088		18,363,508
Balance, March 31, 2023	**151,066,781**	**$**	**25,398,660**

(c) Warrants continuity

	Number of warrants		$
Balance, March 17 and December 31, 2021	1,761,285	$	-
Cancelled in reverse takeover	(1,761,285)		-
Balance, March 31, 2023	**-**	**$**	**-**

18. Revenues

The Company generates revenue from the cultivation, distribution, wholesale and pharmaceutical dispensing of cannabis and cannabis related products within the domestic and international markets ("Cannabis revenue") as well as non-cannabis medicines and over the counter consumer packaged goods at its pharmacy locations in Israel ("Non-cannabis revenue").

The following table represents the revenue breakdown by type of goods and services for the year ended March 31, 2023:

		For the 15 month period ended March 31, 2023
Revenue from cannabis products – cannabis cultivation and distribution operations	$	**4,971,030**
Revenue from cannabis products – pharmacy operations		**549,652**
Less: excise taxes		**(410,906)**
Net revenue from cannabis products		**5,1,09,776**
Revenue from non-cannabis goods – pharmacy operations		**691,559**
Net revenue	**$**	**5,801,335**

The following table represents the net revenue breakdown based on the customer's geographical region for the year ended March 31, 2023:

		For the 15 month period ended March 31, 2023	%
Canadian revenues	**$**	**2,092,509**	36%
International revenues:			
Oceania		**2,073,350**	36%
Asia		**1,194,290**	21%
Europe		**441,186**	7%
Net revenue	**$**	**5,801,335**	100%

(Stated in Canadian dollars, except as otherwise provided)

19. Operating Expenses

The following is a listing of operating expenses for the fifteen months ended March 31, 2023 and from incorporation on March 17, 2021 to December 31, 2021:

	For the 15 month period ended March 31, 2023	From the period of incorporation on March 17, 2021 to December 31, 2021
Salaries, wages and other employee benefits	**$ 1,611,645**	$ 58,229
Commissions	**10,618**	-
Equipment costs	**63,280**	-
Legal and professional fees	**1,348,016**	41,188
Consultants	**570,142**	-
Facility expenses	**436,999**	25,670
Insurance	**280,037**	1,060
Marketing and promotion	**144,079**	-
Office expenses	**324,714**	1,126
Travel and other employee expenses	**105,154**	-
Bank and payment processor fees	**6,630**	-
Research and development	**45,629**	-
Company acquisition expenses	**2,303,727**	-
Listing expense (Note 5)	**1,117,225**	-
Bad debts	**257,107**	-
Other	**10,704**	1,149
Share based compensation	**122,445**	12,336
Depreciation and amortization	**568,388**	-
Total selling, general and administration expenses	**$ 9,326,539**	$ 140,758

20. Share Based Compensation

(a) Options

The Company (formerly Silver Phoenix) has in place an option plan which is aimed at retention, motivation and alignment with the Company of its Directors, Officers, employees, and consultants, who may be granted options to acquire common shares. The plan is administered by the Company's Board of Directors, which approves the terms of option grants, including the exercise price per share, term of the option, and vesting periods. The maximum number of common shares authorized for issuance under the plan is 10% of the issued and outstanding common shares.

Prior to the Business Combination, the stock options were issued under the Cambrosia stock option plan in accordance with Section 102 of the Israeli Income Tax Ordinances.

A summary continuity of options and the total options which are outstanding as of March 31, 2023, is as follows:

	Number of Options	Weighted average exercise price per option
Options outstanding as at March 17, 2021 and December 31, 2021	107,343	$1.77
Cancelled	(107,343)	($1.77)
Issued in RTO (i)	2,621,027	$0.00 (NIS 0.01)
Granted (ii)	10,813,732	$1.00
Options outstanding as at March 31, 2023	**13,434,759**	**$0.80**

(i) As part of the Business Combination described in Note 5, a total of 9,400,000 options granted under the Cambrosia share option plan were modified to adjust for the conversion ratio in the business combination (resulting in a decrease of 6,778,973 options) and to extend the expiry date to 5 years from the date of the business combination. There was no incremental fair value associated with the modified awards.

(ii) 10,813,732 options were granted during the fifteen months ended March 31, 2023, vesting quarterly over a period of 3 years.

(Stated in Canadian dollars, except as otherwise provided)

20. Share Based Compensation (continued)

(a) Options (continued)

A summary of the outstanding and exercisable options as of March 31, 2023 is as follows:

Exercise price per share	Options outstanding	Options exercisable	Weighted average remaining life in years
$0.00 (NIS 0.01)	2,621,027	2,621,027	5.00
$1.00	10,813,732	767,811	5.00
	13,434,759	3,388,838	5.00

A summary of the outstanding and exercisable options as of December 31, 2021 is as follows:

Exercise price per share	Options outstanding	Options exercisable	Weighted average remaining life in years
$1.77	107,343	107,343	1.00
	107,343	107,343	

The fair values of the options granted were determined on the date of the grants using the Black-Scholes option pricing model, based on utilizing the following assumptions:

		For the 15 month period ended March 31, 2023
Risk free interest rate		**3.30% - 3.77%**
Expected life in options		**3 Years**
Range of stock price	**$**	**0.22**
Expected annualized volatility		**100.00%**
Expected dividend yield		**0.00%**
Weighted average Blake-Scholes “fair value” of options issued	**$**	**0.07**

Volatility was estimated by using the historical volatility of other companies that are comparable based on having similar trading and volatility history. The expected life in years represents the period that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options. Management has estimated a forfeiture rate of 0%.

(b) RSUs

The Company has entered into agreements with certain of its Directors and key management team to issue share grants, each of which represents a contingent right to receive 1 common share. Provided that the holder of the share grants continues to be actively engaged in providing ongoing services to the Company, their entitlement to exchange their share grants for common shares will vest with the passage of time on vesting dates as determined by the Board of Directors. On each vesting date, the share grants are converted into equivalent number of common shares.

A summary continuity of RSUs and the total RSUs which are outstanding as of March 31, 2023, is as follows:

	Number of RSUs	Weighted average remaining in years
RSUs outstanding as a March 17, 2021 and December 31, 2021	-	
Granted (i)	600,000	2.75
Vested	-	
Forfeited	-	
RSUs outstanding as at March 31, 2023	**600,000**	

(i) As part of the business combination (Note 5), a total of 600,000 RSUs were granted to purchase common shares during the fifteen months ended March 31, 2023, vesting annually over a period of 3 years. The fair value was based on the Company’s share price on the grant date which was $0.21.

(Stated in Canadian dollars, except as otherwise provided)

20. Share Based Compensation (continued)

(c) Share Based Compensation Expense

The total share based compensation expense recorded in the consolidated statement of income and comprehensive income is comprised of the following:

		March 31, 2023		December 31, 2021
Options	$	**118,668**	$	12,335
RSUs		**3,777**		-
Total	$	**122,445**	$	12,335

21. Related Party Transactions

The Company has transactions with related parties, as defined in IAS 24 *Related Party Disclosures*, all of which are undertaken in the normal course of business.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors, Corporate Officers, and Advisory Board.

The remuneration of key management personnel made during the fifteen months ended March 31, 2023 and from incorporation on March 17, 2021 to December 31, 2021 respectively, are set out below:

		For the 15 month period ended March 31, 2023		From the period of incorporation on March 17, 2021 to December 31, 2021
Salaries, wages and benefits	$	**632,093**	$	20,642
Share-based compensation expense		**96,025**		12,335
Professional fees		**173,473**		-
Management fees		**58,154**		-
Total	$	**959,745**	$	32,977

As at March 31, 2023, the Company has a payable to key management personnel of $456,429 (December 31, 2021 - $nil) for accrued bonus, vacation amounts and expense reimbursements. These amounts are included in trade and other payables.

During the 15-month period ended March 31, 2023, two members of the Company's key management personnel had provided a personal guarantee for the Gunn first and second mortgages (Note 13).

During the 15-month period ended March 31, 2023, one member of the Company's advisory board provided a loan to the Company in the amount of $239,495. See also Note 16.

22. Income Taxes

(a) Income tax expense (recovery)

		For the 15 month period ended March 31, 2023
Current tax expense (recovery)		
Current period	$	**-**
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	$	**(2,270,706)**
Change in unrecognized temporary differences		**2,270,706**
Income tax expense (recovery)	$	**-**

(Stated in Canadian dollars, except as otherwise provided)

22. Income Taxes (continued)

(b) Income tax expense (recovery) (continued)

The actual income tax provision differs from the expected amount calculated by applying the Israel combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

		For the 15 month period ended March 31, 2023		From the period of incorporation on March 17, 2021 to December 31, 2021
Loss before income tax	**$**	**(16,366,895)**	$	(141,086)
Statutory income tax rate		**23.00%**		23.00%
Expected income tax recovery	**$**	**(3,764,386)**	$	(32,450)
Increase (decrease) resulting from:				
Change in unrecognized temporary differences		**2,270,706**		(14,282)
Non-taxable items		**1,568,706**		(55,797)
Tax rate difference and tax rate changes		**(75,026)**		102,529
Income tax recovery	**$**	**-**	$	-

(c) Deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

		March 31, 2023
Lease liabilities	**$**	**225,710**
Loss carry forwards		**2,073,664**
Debt		**324,832**
Inventories		**1,504,918**
Biological assets		**223,551**
Accruals		**77,203**
Deferred tax assets		**4,429,878**
Set-off of tax		**(4,429,878)**
Net deferred tax asset	**$**	**-**

Deferred tax liabilities are attributable to the following:

		March 31, 2023
Biological assets	**$**	**(560,093)**
Inventory		**(1,404,950)**
Property, plant and equipment		**(2,039,347)**
Finance fees		**(181,651)**
Intangibles		**(154,309)**
Debt		**(89,529)**
Deferred tax liabilities		**(4,429,878)**
Set-off of tax		**4,429,878**
Net deferred tax liability	**$**	**-**

(d) Unrecognized deferred tax assets

		March 31, 2023		December 31, 2021
Deductible temporary differences	**$**	**5,089,073**	$	24,667
Tax losses		**49,248,726**		238,595
Total	**$**	**54,337,799**	$	263,262

(Stated in Canadian dollars, except as otherwise provided)

22. Income Taxes (continued)

(d) Unrecognized deferred tax assets (continued)

Deferred tax assets have not been recognized in respect of the above items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

The Company has $67,836,189 in Canadian loss carryforwards (which expire between 2026 and 2043), and $2,717,183 in Israeli loss carryforwards (indefinite carryforward) available to offset future taxable income.

23. Finance Expense

The Company incurred net finance costs as detailed below for the fifteen months ended March 31, 2023 and from incorporation on March 17, 2021 to December 31, 2021:

		For the 15 month period ended March 31, 2023		From the period of incorporation on March 17, 2021 to December 31, 2021
Interest expense on the debt (Note 13)	**$**	**768,605**	$	-
Interest expense on lease liabilities (Note 14)		**20,208**		-
Interest expense on Class B – Preferred shares, net of changes to carrying value due to revised cash flows (Note 15)		**(341,294)**		-
Interest expense on shareholder loans, net of change to carrying value due to revised cash flows (Note 16)		**50,446**		-
Change in fair value of put option liability (Note 27)		**(84,276)**		-
Other finance costs		**217,561**		328
Finance expense	**$**	**631,250**	$	328

24. Loss per Share

Approximately 14,034,759 of potentially dilutive securities as at March 31, 2023 (December 31, 2021 – 1,761,285) were excluded in the calculation of diluted loss per share as their impact would have been anti-dilutive.

25. Changes in Non-Cash Working Capital Items

		For the 15 month period ended March 31, 2023		From the period of incorporation on March 17, 2021 to December 31, 2021
Trade and other receivables	**$**	**499,286**	$	-
Deposits and prepaid expenses		**236,309**		(286,335)
Inventories		**3,984,466**		-
Biological assets		**(3,173,324)**		-
Trade and other payables		**3,945,949**		6,701
Deferred revenue		**(432,383)**		-
Total	**$**	**5,060,303**	$	(279,634)

Non-cash transactions:

Issuance of shares in exchange for a receivable	**$**	**770,240**	$	-

(Stated in Canadian dollars, except as otherwise provided)

26. Capital Management

The Company's objective when managing its capital is to ensure sufficient debt and equity financing is available to fund its planned operations in a way that maximizes returns for shareholders and other stakeholders. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets.

The Company considers its capital under management as at March 31, 2023 to be debt, shareholder loans, put option liability and Class B preferred shares and equity, as shown below:

		March 31, 2023		December 31, 2021
Debt	$	**25,892,606**	$	-
Shareholder loans		**663,009**		
Put option liability		**1,552,683**		
Class B preferred shares		**804,203**		-
Total debt		**28,882,501**		-
Equity		**9,132,359**		422,284
Total capital	**$**	**38,014,860**	$	422,284

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future planned operations of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative stage of the Company, is reasonable. As a result of the business combination as described in Note 5, there were changes to the Company's capital management approach during the year, which included reorganizing its objectives, policies and processes for managing capital as a licensed cannabis company operating in Canada and Israel.

The Company is subject to externally imposed capital requirements in the form of debt covenants which were not met at March 31, 2023. Refer to Note 13.

27. Financial Instruments

(a) Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to other factors including changes in equity prices.

(i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Financial assets and liabilities held in foreign currency expose the Company to cash flow currency risk.

The Company is exposed to minimal foreign currency risk as the Company and its subsidiaries transact primarily in each of their functional currencies.

As at March 31, 2023 and December 31, 2021, the Company has not entered into any hedging agreements or purchased any financial instruments to hedge its foreign currency risk.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk.

As at March 31, 2023, the Company holds some interest-bearing financial liabilities at variable rates, and maintains some bank accounts and investments which earn interest at variable rates. The Company does not believe it is currently subject to any significant interest rate risk, as the Company has determined that a 1% change in rates would not have a material impact on the Consolidated Financial Statements.

(Stated in Canadian dollars, except as otherwise provided)

27. Financial Instruments (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk principally impacts the Company's cash, short-term investments and trade and other receivables. The Company is exposed to credit-related losses in the event of non-performance by the counterparties. The carrying amount of cash, short-term investments and trade and other receivables represents the maximum exposure to credit risk on the statement of financial position, and as at March 31, 2023, this amounted to $8,075,074 (December 31, 2021 - $127,205).

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. The Company has assessed that it has limited customer credit risk due to the fact that trade and other receivables is primarily from the sale of cannabis to government agencies and large retail outlets and have a payment terms of 30 – 60 days. For smaller customers, payment is fulfilled through the processing of a credit card or obtaining payment in advance of delivery, therefore limiting the Company's credit risk exposure on these types of transactions.

Trade and other receivables are reported net of expected credit losses of $nil (December 31, 2021 - $nil).

Since the inception of the Company, no credit losses have been incurred in relation to cash held by the bank or on any other amounts receivable.

The Company's aging of receivables was approximately as follows per the reporting periods-ended:

		March 31, 2023
Current	$	**1,911,415**
31 – 60 days		**1,361,020**
61 – 90 days		**303,911**
Greater than 91 days		**191,295**
Total	$	**3,767,641**

During the fifteen months ended March 31, 2023, the Company earned revenue of $3,764,541 (from incorporation on March 17, 2021 to December 31, 2021 - $nil) from three major customers. These customers each had revenues of over 10% of the Company's total revenue for the fifteen months ended March 31, 2023. Total amounts receivable owing from these customers at March 31, 2023, was $1,129,666 (December 31, 2021 - $nil).

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements and raises funds via debt and enters into other financing arrangements as required to support investment in production facilities and working capital requirements. The Company has also liquidated its non-cash generating businesses subsequent to March 31, 2023. See Note 29 for arrangements entered into after the reporting date and further details on the liquidation.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2 – 3	Year 4 – 5 and thereafter
Trade and other payables	$ 22,375,179	$ 22,375,179	$ 22,375,179	$ -	$ -
Debt	25,892,606	25,892,606	25,862,873	29,733	-
Lease liabilities	1,135,147	1,387,788	237,357	499,411	651,020
Class B – Preferred shares[1]	804,203	4,999,933	-	428,067	4,571,866
Put option liability	1,552,683	2,101,486	-	2,101,486	-
Shareholder loans	633,009	1,136,236	46,499	383,339	706,398
Balance as at March 31, 2023	**$ 52,392,827**	**$ 57,893,228**	**$ 48,521,908**	**$ 3,442,036**	**$ 5,929,284**

The Class B - Preferred Shares have no fixed repayment terms and repayment is based on the AgMedica's free cash flow, which has been displayed in the above table. The Company performed a forecast at the time of issuance of the Class B - Preferred Shares to assess when the Company expects to settle them in full. This forecast is subject to change and will be assessed annually by the Company.

(Stated in Canadian dollars, except as otherwise provided)

27. Financial Instruments (continued)

(d) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to their short-term to maturity. The carrying value of the debt and equipment financings approximate their fair value as the loans were recognized at fair value in the business combination discussed in Note 5.

The put option liability (Note 5) is measured at fair value and it a Level 3 measurement.

		March 31, 2023		**December 30, 2022**
Key observable inputs				
Discount rate		**13.85%**		11.30%
Key unobservable inputs				
Estimated EBITDA at date of exercise	**$**	**700,000**	$	700,000

The fair value of the put option liability was calculated based on the estimated EBITDA of the acquired pharmacies at the time the put option becomes exercisable, discounted at a market rate of return. The fair value of the put option liability at March 31, 2023 is $1,552,683. During the 15-month period ended March 31, 2023, the Company recorded a gain on the change in fair value of the put option liability of $84,276 which is included in net finance cost in the consolidated statement of loss and comprehensive loss.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

Acquired through business combination	**$**	1,636,959
Change in fair value		(84,276)
Total	**$**	**1,552,683**

28. Segmented Information

The Company operates as a single segment entity. The Company's revenue by geographic region is disclosed in Note 18. The Company's non-current assets by geographic region is as follows:

		Non-current assets
Canada	**$**	**35,426,000**
Israel		**3,132,169**
Total	**$**	**38,558,169**

29. Commitments and Contingencies

There are no significant commitments or contingencies recorded as at March 31, 2023.

(Stated in Canadian dollars, except as otherwise provided)

30. Restatement – Share-based Payments

During the preparation of the Company's consolidated financial statements for 15-month period ended March 31, 2023, the Company determined that the share-based payment expense for the period December 31, 2021 was not valued appropriately. As a result, the consolidated statements of loss and comprehensive loss, consolidated statement of financial position and consolidated statement of changes in shareholders' equity are restated for the period ended December 31, 2021. There is no impact on cash flows from operating, financing or investing activities.

The Company's restated comparative figures as at and for the period December 31, 2021 are summarized below. An opening balance sheet as at March 17, 2021 was not presented as there was no impact. The disclosures in Note 20 reflect the restated amounts.

Impact on the consolidated statements of loss and comprehensive loss for the period from incorporation on March 17, 2021 to December 31, 2021:

		As previously reported		Adjusted		Restated
Share based compensation	$	767,648	$	(755,313)	$	12,335
Net loss for the period		(896,399)		755,313		(141,086)
Total comprehensive loss		(862,341)		755,313		(107,028)
Basic and diluted net loss per common share	$	(0.01)	$	0.01	$	0.00

Impact on the consolidated statement of financial position at December 31, 2021 and consolidated statement of changes in shareholders' equity for the period from incorporation on March 17, 2021 to December 31, 2021:

		As previously reported		Adjusted		Restated
Contributed surplus	$	767,648	$	(755,313)	$	12,335
Retained earnings (deficit)		(896,399)		755,313		(141,086)

(Stated in Canadian dollars, except as otherwise provided)

31. Subsequent Events

Acquisition of GreenSeal

On April 28, 2023, the Company acquired all of the issued and outstanding shares of GreenSeal Cannabis Company LTD ("GreenSeal Cannabis") and GreenSeal Nursery LTD ("GreenSeal Nursery"), privately-owned Ontario-based licensed cannabis producers.

As consideration, the Company agreed to issue 10,000,000 common shares subject to a lock-up period of up-to 36 months. Commencing on the six-month anniversary of the closing, 15% will be released from lock up every six months. Of the 10,000,000 shares, 7,612,358 were issued upon closing, with the remainder subject to hold-back. The Company also agreed to issue up to 1,500,000 additional common shares if, 12 months from the closing date, the fair market value of the shares released from lock up to that point is not at least in aggregate $3,000,000.

The following table summarizes the preliminary fair value of the assets and liabilities acquired and consideration paid:

Fair value of share consideration		
Common shares issued (i)	$	2,521,118
Common shares to be issued (ii)		790,757
Contingent consideration (iii)		308,562
Total consideration paid for transaction	**$**	**3,620,437**
Net assets acquired		
Net working capital	$	2,051,670
Biological assets		792,603
Property, plant and equipment		9,913,000
Right of use assets		570,230
Right of use liabilities		(570,230)
Intangible assets		25,000
Contingent liability (iv)		(1,058,172)
Debt		(6,013,518)
Total net assets acquired		5,710,583
Gain on bargain purchase	**$**	(2,090,146)

(i) Share consideration

The share consideration has been determined based on the fair value of the Company's shares on the closing date of the transaction.

(ii) Shares to be issued

2,387,642 common shares have been reserved for issuance to the GreenSeal vendors under the Share Purchase Agreement in connection with certain withholding obligations of the Company.

(iii) Contingent consideration

Up to an additional 1,500,000 shares may be issued at the 12-month anniversary of the closing date of the acquisition based on the then share price of the Company's common shares.

(iv) Contingent liability

As part of the GreenSeal acquisition, the Company recognized a liability related to past investment tax credits received by GreenSeal which may be repayable in the future. The timing of any repayment is uncertain.

31. Subsequent Events (continued)

Harmony Acquisition

On February 5, 2023, the Company entered into a definitive agreement for the acquisition of 51% of the outstanding securities of one trading house and two additional purpose-built cannabis pharmacies in Israel (the “Harmony Acquisition”). In anticipation of the completion of the transaction, Cambrosia, extended loans to Harmony in the amount of NIS 1,000,000 (CAD 325,785) as at March 31, 2023.

Subsequent to the reporting date, the Company advanced a further NIS 400,000 (CAD 146,600) and also entered into revenue transactions with Harmony.

Owing to disputes regarding, among other matters, payment for product, the acquisition agreement was terminated in accordance with its terms, on the basis that the transaction was not completed by the date prescribed for completion in the definitive agreement.

On December 20, 2023, the Company filed a lawsuit against Harmony and its four founders in the District Court of Tel Aviv, seeking various remedies including repayment of a loan in the amount of NIS 1,431,838 (approx. CAD $524,768) of which NIS 1,000,000 (CAD $325,785) was advanced by March 31, 2023.

As part of the claim, the Company asked the court for a lien on the bank accounts of Harmony and its four founders. On December 21, 2023 the court approved the Company’s request and issued a lien on those accounts in an amount of NIS 2,137,226 (approx. CAD $783,293), on each of the accounts of all 6 defendants. Following a request by the Company, on December 25, 2023, the court issued new liens on the accounts of all defendants, revising the amount of the liens to NIS 3,291,764 (approx. CAD $1,206,431) in each account.

High Times Acquisition

On May 17, 2023, the Company entered into a definitive agreement for the acquisition of 51% of the outstanding securities of an Israeli private limited liability company operating a medical cannabis pharmacy. The consideration consists of 1,132,000 common shares of Atlas and NIS 650,000 (approx. CAD $238,743). This amount was advanced as a loan ahead of the closing of the acquisition on June 6, 2023. The cash consideration may be increased by up to NIS 2,050,000 upon the Pharmacy’s revenue and profitability exceeding certain prescribed amounts for the financial years completed December 31, 2023 to 2025. The shares will be subject to a lock-up period of 36 months during which 15% shall be released every six months, commencing on the six-month anniversary of the closing.

The acquisition also includes a call option whereby Atlas Global can acquire, and the vendor has a put option to sell, the remaining 49% interest in the Pharmacy at a price equal to the revenue of the twelve-month period ended September 30, 2026, multiplied by 0.7. The put option is subject to satisfaction of conditions of profitability and good corporate standing.

On December 24, 2023, the parties agreed to extend the final deadline for completing the transaction to December 31, 2024, and made numerous amendments to the terms of the proposed transaction, including in material part:

- 90% of the shares to be purchased will be deposited with a trustee, as soon as a trustee agreement is entered into
- Following the signing of the trustee agreement, the Company will have the right to appoint 2 of 3 board members of the pharmacy, will have effective management of the pharmacy, and will have control of the pharmacy’s bank account.
- Following the signing of the trustee agreement, the Company will indemnify the vendor for 51% of the pharmacy’s existing bank loan, the indemnified amount being approximately NIS 150,000 (approx. CAD $54,975).
- Funding requirements of the pharmacy following the signing of the trustee agreement will be provided as to 51% by Cambrosia and as to 49% by the vendor.
- Should all conditions precedent be met by December 31, 2024, the Company will receive 100% of the shares of the pharmacy, for the same aggregate purchase price as was originally agreed for the purchase of a 51% interest.
- Should all conditions precedent not be met by December 31, 2024, the Company will have the right to instruct the trustee to sell 100% of the pharmacy, with proceeds allocated as to NIS 650,000 (approx. CAD $238,225) to the Company, and the balance equally as between the Company and the vendor.

As of the date of issuance of these financial statements, no trustee agreement has been entered into.

31. Subsequent Events (continued)

Receivership of Atlas Biotech

On June 26, 2023, Ernst & Young Inc. was appointed as receiver and manager (the "Receiver") over certain current and future assets of Atlas Biotech under the Bankruptcy and Insolvency Act (Canada) and the Personal Property Security Act (Alberta). As a result, of the appointment, the Company lost control of Atlas Biotech.

Atlas Biotech's senior lender, the Agriculture Financial Services Corporation (the "AFSC"), obtained the receivership order from the Court of King's Bench of Alberta (the "Court") with the consent of Atlas Biotech. The order follows on the Company's decision to cease operations at its facility in Gunn, Alberta and liquidate the assets of Atlas Biotech in an orderly manner as it focuses on cost reductions, savings and production efficiencies across its operations and the cannabis value chain.

The AFSC has also filed a statement of claim against the Company with the Court in connection with the enforcement of an existing $1.4 million limited parental guarantee of the Company in respect of the indebtedness of Atlas Biotech to the AFSC.

The Company recorded a gain on loss of control of approximately $10M in the three-month period ended June 30, 2023.

Purchase Order and Accounts Receivable Sales

On July 6, 2023 the Company entered into an arrangement to sell certain accounts receivables for which they would receive an advance of 75% of the accounts receivables sold with the remaining 25% to be remitted net of fees and charges once the receivables are collected. On September 9, 2023, the Company amended the arrangement to include the sale of certain purchase orders which, once the purchase order is fulfilled, convert into a sold receivable. Amounts advanced on the sale of purchase orders is 65%. The receivables are sold on a non-recourse basis, and the Company pays a fee of 1.8% per month of the uncollected amounts advanced up to $1,000,000, and 1.67% per month on amounts advanced that are greater than $1,000,000. In addition, the Company is obligated to pay an unused facility fee of 2% per annum on the unused amount of the facility.

New Loan

On February 6, 2024, the Company borrowed 3,000,000 NIS ($1,100,000 CAD) from a shareholder, with an interest rate of Israeli prime plus 3.75%, with a floor of 9.75%. In addition, the Company agreed to issue 3,693,444 common shares to the lender upon and subject to the revocation of the failure to file cease trade order imposed by the Ontario Securities Common as principal regulator on August 8, 2023. The loan is further secured by a pledge of the Company's interest in its three pharmacies located in Israel, which, the shareholder has the right to enforce should the cease-trade order not be lifted by April 15, 2024.

War in Gaza

On October 7, 2023, an attack was launched against Israel by Hamas (a terror organization) which thrust Israel into a state of war (hereinafter: "The state of war") in Israel and in Gaza strip. The Company is continuing with its operations both in Israel and globally, as the state of war had no substantial impact on its operations or business results. The Company continues to assess the effects of the state of war on its financial statements and business.

Third Israeli Acquisition

The Company announced on May 24, 2023, that it had entered into a definitive agreement for the acquisition of 51% of the outstanding securities of three Israeli private limited liability companies operating medical cannabis. This agreement was terminated pursuant to its terms on September 30, 2023.

Legal Claim

In January 2024, the Company was served with a claim related to the termination of a consultant which occurred in June 2023. The Company believes that it had appropriate cause for termination and that an economic outflow associated with this claim is unlikely.

31. Subsequent Events (continued)

Failure to File Cease Trade

On August 8, 2023, the OSC, as the principal regulator, issued a FFCTO, upon the Company's failure to file the Financial Statements and related MD&A and certifications (the "Annual Filings") by July 31, 2023, due to the complexity of accounting for the Company's tri-partite and multijurisdictional Transaction and subsequent acquisitions. As a consequence of the delay in filing the Filings Statements, the Company is also delayed in filing its interim financial report and related management's discussion and analysis and certifications for the interim periods ended June 30, 2023, September 30, 2023 and December 31, 2023 that were due August 29, 2023, November 29, 2023 and February 29, 2024, respectively (the "Interim Filings").

The FFCTO prohibits the trading by any person of any securities of the Company in each jurisdiction in Canada in which the Company is a reporting issuer and in which Multilateral Instrument 11-103 – Failure-to-File Cease Trade Orders in Multiple Jurisdictions applies, including trades in the Shares made through the CSE, for as long as the FFCTO is in effect, with limited exceptions.

The FFCTO will be lifted subsequent to the Annual Filings and Interim Filings being made.