Vext Science, Inc.

Condensed Consolidated Interim Financial Statements

September 30, 2023 and 2022

(Expressed in U.S. Dollars)

(Unaudited)

Vext Science, Inc.

Table of Contents

VEXT SCIENCE, INC.
Condensed Consolidated Interim Financial Statements of Financial Position
(Expressed in U.S. Dollars)

	Notes	September 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash		$ 3,624,488	$ 5,933,837
Accounts receivable, net	4	4,657,005	3,295,537
Inventory	5	11,142,874	12,574,202
Biological assets	11	957,708	1,188,499
Prepaid expenses, deposits, and other receivables	6	5,031,352	9,945,716
Notes receivable – current	7	9,054,006	18,111,849
Due from related parties	19	1,328,383	—
Deferred tax asset		756,253	756,253
Loans to joint operations	10	1,024,215	876,258
		37,576,284	52,682,151
Non-current assets			
Property, plant and equipment	12	44,949,225	35,650,655
Investment in joint ventures	9	1,621,783	1,758,719
Right-of-use asset	17	860,059	796,940
Due from related parties	19	—	1,328,383
Intangible assets	13	31,145,176	27,838,374
Goodwill	13	2,070,654	461,752
Total Assets		$ 118,223,181	$ 120,516,974
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accrued liabilities	15	$ 4,399,762	$ 7,018,634
Notes payable – current portion	16	4,106,487	4,106,487
Notes payable – RDF current portion	16	1,200,000	1,200,000
Lease liability – current portion	17	185,260	156,719
Loan payable - current portion	18	475,785	493,347
Total current liabilities		10,367,294	12,975,187
Long-term liabilities			
Notes payable – non-current portion	16	27,703,408	26,011,498
Notes payable – RDF-non-current portion	16	1,040,406	1,198,598
Lease liability – non-current portion	17	802,053	737,030
Loan payable - non - current portion	18	4,248,809	4,249,260
Deferred tax liabilities		3,099,565	3,426,879
Total liabilities		47,261,533	48,598,452
Shareholders' equity			
Subordinated and multiple voting shares		34,760,906	34,473,734
Reserves		4,246,188	4,260,543
Accumulated other comprehensive loss		(138,036)	(138,036)
Retained earnings		32,092,590	33,322,281
Total shareholders' equity		70,961,648	71,918,522
Total liabilities and shareholders' equity		$ 118,223,181	$ 120,516,974

Approved on November 27, 2023 on behalf of the Board of Directors:

"Jason T. Nguyen", Director   *"Eric J. Offenberger"*, Director

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

VEXT SCIENCE, INC.
Condensed Consolidated Interim Financial Statements of Operations and Comprehensive Income (Loss)
(Expressed in U.S. Dollars)

	Notes	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Sales		**$ 8,099,285**	$ 7,673,101	**$ 26,397,057**	$ 27,230,032
Cost of Goods Sold		**4,912,744**	3,048,671	**15,781,712**	10,396,041
Gross Profit before fair value adjustments		**3,186,541**	4,624,430	**10,615,345**	16,833,991
Unrealized change in fair value of biological assets	11	**(763,984)**	(874,591)	**(2,877,755)**	(3,732,498)
Realized change in fair value of inventory sold	11	**1,145,783**	622,550	**3,319,734**	1,808,245
Gross Profit		**2,804,742**	4,876,471	**10,173,366**	18,758,244
Operating Expenses					
Amortization	13,17	**981,070**	788,865	**2,943,210**	2,362,830
Depreciation	12	**848,199**	105,807	**1,067,140**	307,291
Share-based compensation	20	**73,623**	660,488	**272,817**	850,946
Salaries, wages, and commissions		**1,417,454**	954,792	**2,745,305**	3,213,622
General and administrative		**1,206,797**	1,076,012	**3,330,759**	3,680,240
Total Operating Expenses		**4,527,143**	3,585,964	**10,359,231**	10,414,929
Other Income (Expense)					
Accretion on debt		**5,983**	—	**18,014**	(12,372)
Share of profit (loss) of joint ventures	9	**(47,777)**	(53,014)	**(152,835)**	(425,942)
Disposal of assets gain/(loss)		**(10,718)**	(2,893)	**(10,718)**	7,270
Change in fair value of debt & transaction costs	23	**(170,653)**	—	**(1,412,951)**	—
Debt transaction costs		—	—	—	—
Foreign exchange gain/(loss)		**(448)**	45	**(3,487)**	836
Interest (expense)		**(993,908)**	(620,835)	**(2,893,927)**	(1,296,131)
Interest income		**37,347**	148	**65,577**	149
Total other income (expense)		**(1,180,174)**	(676,550)	**(4,390,327)**	(1,726,190)
Net income (loss) before tax		**(2,902,575)**	613,956	**(4,576,192)**	6,617,126
Income tax (expense)/recovery		**1,064,372**	(190,425)	**3,346,500**	(1,988,200)
Net income after taxes		**$ (1,838,203)**	$ 423,532	**$ (1,229,692)**	$ 4,628,926
Total comprehensive income		**$ (1,838,203)**	$ 423,532	**$ (1,229,692)**	$ 4,628,926
Basic earnings per common shares		**$ (0.01)**	$ —	**$ (0.01)**	$ 0.03
Diluted earnings per common shares		**$ (0.01)**	$ —	**$ (0.01)**	$ 0.03
Weighted average number of common share outstanding – basic		**149,769,504**	138,270,384	**149,600,439**	138,167,803
Weighted average number of common share outstanding - diluted		**150,082,912**	140,006,991	**149,847,403**	140,555,002

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

VEXT SCIENCE, INC.

Condensed Consolidated Interim Financial Statements of Changes in Shareholders' Equity

(Expressed in U.S. Dollars)

	Share Capital									
	Number of Subordinated Voting Shares	**Amount: Subordinated Voting Shares**	**Number of Multiple Voting Shares**	**Amount: Multiple Voting Shares**	**Reserves: Compensatory Warrants**	**Reserves: Stock Options**	**Reserves: RSU**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Total Shareholder's Equity**
Balance at December 31, 2021	**69,891,434**	**$ 31,918,323**	**678,609**	**$ 1,934,241**	**$ 1,744,964**	**$ 1,466,642**	**$ 64,428**	**$ (138,036)**	**$ 22,403,001**	**$ 59,393,563**
Conversion of multiple voting shares to subordinated voting shares	586,200	—	(5,862)	—	—	—	—	—	—	—
Share replacement	300,000	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	10,349	274,516	566,081	—	—	850,946
Shares issued from warrants exercised	369,500	129,845	—	—	—	—	—	—	—	129,845
Shares issued from RSUs exercised	8,333	7,901	—	—	—	—	(7,901)	—	—	—
Net income for the period	—	—	—	—	—	—	—	—	4,628,926	4,628,926
Balance at September 30, 2022	**71,155,467**	**32,056,069**	**672,747**	**1,934,241**	**1,755,313**	**1,741,158**	**622,608**	**(138,036)**	**27,031,926**	**65,003,278**
Balance at December 31, 2022	**81,688,526**	**32,539,493**	**672,747**	**1,934,241**	**1,781,967**	**1,862,693**	**615,883**	**(138,036)**	**33,322,281**	**71,918,522**
Share-based compensation	—	—	—	—	—	188,577	84,240	—	—	272,817
Shares issued from RSUs exercised	834,952	971,638	—	(684,466)	—	—	(287,172)	—	—	—
Net income for the period	—	—	—	—	—	—	—	—	(1,229,692)	(1,229,692)
Balance at September 30, 2023	**82,523,478**	**$ 33,511,131**	**672,747**	**1,249,775**	**1,781,967**	**2,051,270**	**412,952**	**(138,036)**	**32,092,590**	**70,961,648**

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

VEXT SCIENCE, INC.

Condensed Consolidated Interim Financial Statements of Cash Flows

(Expressed in U.S. Dollars)

		For the period ended September 30, 2023		For the period ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	**$**	**(1,229,692)**		4,628,926
Items not affecting cash:				
Amortization		2,943,210		2,362,830
Depreciation		3,111,978		2,296,946
Accretion on leases and debt		(18,013)		12,372
Interest expense on lease liability non-cash		—		7,400
Debt transaction costs		742,036		—
DTL amortization		(79,721)		—
Share-based compensation		272,817		850,946
Share of loss on joint ventures		152,835		407,862
Deferred tax liabilities		(3,752,279)		1,988,200
Unrealized change in fair value of biological assets		(2,877,755)		(3,732,498)
Realized change in fair value of inventory sold		3,319,734		1,808,245
Fair value long term debt		559,912		—
Amortized debt transaction costs		204,378		—
Non-cash working capital item changes:				
Accounts receivable		(1,361,468)		(2,195,543)
Biological asset (capitalized costs)		(618,293)		(4,831,197)
Inventory		1,940,149		295,159
Prepaid expenses, deposits, and other receivables		889,157		(1,081,118)
Payables and accrued liabilities		(389,728)		238,355
Net cash provided by operating activities	**$**	**3,809,256**	$	3,056,885
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash acquired from acquisition		8,695		736,538
Cash paid on lawsuit settlement (RDF)		—		(622,125)
Loan to joint operations		(147,957)		(149,065)
Loan from joint ventures		153,970		—
Notes receivable issued		(1,344,010)		(4,266,292)
Investment in joint ventures		(15,900)		(374,250)
Disposal of property, plan and equipment		37,091		—
Loss on disposal of property, plant and equipment		(10,718)		—
Acquisition of property, plant and equipment		(1,775,559)		(7,849,702)
Net cash used in investing activities	**$**	**(3,094,388)**	$	(12,524,896)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan payable due from Ohio ventures		1,000,000		—
Loan payable proceeds		—		21,993,052
Loan payable Ohio acquisition (payments) proceeds		(2,779,169)		—
Loan costs (payments) proceeds		(968,291)		(1,026,249)
Notes payable (payments) proceeds		—		(5,692,807)
Notes payable RDF (payments) additions		(158,192)		(303,292)
Reduction in lease liability		(118,566)		(94,495)
Exercise of warrants		—		129,844
Net cash used in financing activities	**$**	**(3,024,218)**	$	15,006,052
Net change in cash during the period	**$**	**(2,309,350)**	$	5,538,040
Cash, beginning of the period	**$**	**5,933,837**	$	6,467,091
Cash, end of the period	**$**	**3,624,487**	$	12,005,132
Cash paid for				
Interest	$	2,893,927	$	1,296,131
Non-cash investing and financing activities				
PPE received to settle note receivable Ohio	$	10,401,853	$	35,435,080
Acquisition of dispensaries in exchange for receivables & notes due from seller (Note 14)	**$**	—	$	35,435,080
Recognition of new right of use assets (ROU)	$	212,130	$	749,152
Exercise of warrants	**$**	—	$	9,701

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

1. NATURE OF OPERATIONS

Vext Science, Inc. (referred to as "the Company" or "Vext") possesses full ownership of two integrated cannabis operations in Arizona. By October 2, 2023, the Company has successfully acquired complete ownership of cultivation, manufacturing, and a dispensary in Ohio. Furthermore, a binding Letter of Intent (LOI) is in place to procure 100% ownership of three additional dispensaries in Ohio.

The Company extends its services to the cannabis industry by offering management, advisory, cultivation, non-cannabis products, and dispensary services through operating agreements and direct sales to various entities.

Within our dispensaries and markets where we hold a direct presence or operational agreements, the Company develops, manufactures, and distributes a diverse range of cannabis-branded products. The focus of the Vapen Brand primarily revolves around concentrates and edible categories as well as CBD product. Flower products, except for pre-rolls or infused pre-rolls, are predominantly retailed under the Herbal Wellness name in our operations.

The Company's registered office is situated at Suite 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7, while its U.S. headquarters is located at 4152 N. 39th Ave, Phoenix, Arizona 85019.

In Arizona, the owned dispensaries operate under the Herbal Wellness Center brand, with one licensed as Herbal Wellness Center and the other as Organica Patient Group. In Ohio, the operations are licensed and branded as Appalachian Pharms Cultivation and Appalachian Pharm Processing. The dispensary functions under the Herbal Wellness Center brand.

(Expressed in U.S. Dollars)

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

b) Basis of Consolidation

The condensed consolidated interim financial statements include consolidated accounts of the Company and its subsidiaries, including its economic interest in joint operations. Joint ventures are recorded as an investment. Subsidiaries are those entities that the Company controls. The Company controls an entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Entities as of September 30, 2023, the Company are listed below.

Name	Jurisdiction	Ownership
Vext Science, Inc.	**BC, Canada**	**100%**
Subsidiaries:		
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Delaware, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
New Gen Phoenix (PHX), LLC	Arizona, USA	100%
New Gen Eloy, LLC	Arizona, USA	100%
New Gen Prescott (PV), LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
RDF Management, LLC	Arizona, USA	100%
Firebrand, LLC	Arizona, USA	100%
Herbal Wellness Center, LLC	Arizona, USA	100%
Organica Patient Group, LLC	Arizona, USA	100%
New Gen Ohio, LLC	Ohio, USA	100%
Herbal Wellness Center Ohio, LLC (Jackson Pharm, LLC)	Ohio, USA	100%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen Oklahoma, LLC	Oklahoma, USA	25%
Joint Operations:		
Happy Travels, LLC	California, USA	50%

2. BASIS OF PRESENTATION (*CONTINUED…*)

c) Approval of the Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and 2022 were approved and authorized for issue by the Board of Directors on November 27, 2023.

d) Significant Accounting Judgements and Estimates

In preparing these interim condensed consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2022 except for as outlined below.

Fair Value of Ohio Note Payable

The Company measures the fair value of its Ohio Loan liability using a discounted cash flow method. The most significant input to this model is the market discount rate. Changes to this assumption could have a significant impact on the measurement of the Ohio Loan. Refer to Note 23 for further information.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards and interpretations

Disclosure of Accounting Policies (Amendments to IAS 1)
The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies.
The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's Financial Statements.

Definition of Accounting Estimates (Amendments to IAS 8)
The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's Financial Statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)
The IASB has issued amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 12 Income Taxes which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's Financial Statements.

Standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current.

The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The adoption of these amendments did not have a significant impact on the Company's Financial Statements.

(Expressed in U.S. Dollars)

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable consists of the following:

		September 30, 2023		December 31, 2022
Accounts Receivable	$	4,524,826	$	3,121,469
GST input tax credits		132,179		174,068
	$	**4,657,005**	$	3,295,537

5. INVENTORY

Inventory consists of costs directly related to the production or procurement of products sold to customers, or joint operations/ventures. These include salaries and benefits, cultivation supplies, product packaging, manufacturing costs, included biological assets and other production costs.

The Company's inventory consists of the following:

		September 30, 2023		December 31, 2022
Work in Process				
Capitalized Cost	$	160,289	$	1,448,899
Fair Value Adjustment		93,842		814,726
Carrying Value		**254,131**		2,263,625
Finished Goods				
Capitalized Cost		9,528,101		9,426,288
Fair Value Adjustment		1,360,642		884,289
Carrying Value		**10,888,743**		10,310,577
Total	**$**	**11,142,874**	$	12,574,202

For the nine months ended September 30, 2023 the Company recognized $15,781,712 of inventory expensed to cost of goods sold (September 30, 2022 - $10,396,041).

(Expressed in U.S. Dollars)

6. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

The Company's prepaid deposits and other receivables consist of the following:

	September 30, 2023	December 31, 2022
Vendor deposits	$ 311,076	$ 649,333
Deposit on APP Pharms, LLC (1)	4,278,083	1,998,914
Deposit on Ohio Dispensary (2)	—	6,748,998
Prepaid Expense/Insurance/Maintenance	410,804	528,715
Investment Costs KY Cannabis	2,896	—
Security deposits	28,493	17,685
Employee advances	—	2,070
	$ 5,031,352	$ 9,945,716

(1) As at December 31, 2022, the Company sent a $1,998,914 down payment to APP Pharm, LLC as a cash deposit in addition to the Notes Receivable held of $8,666,427 towards the total purchase (Note 7) of the cultivation and processing center in Ohio awaiting the transfer of the licenses by the State of Ohio.

(2) As at December 31, 2022, $6,748,998 million was paid as a deposit on the Ohio dispensary Buckeye Botanical, to be renamed Herbal Wellness Center Ohio as of the license transfer date January 2, 2023.

(Expressed in U.S. Dollars)

7. NOTES RECEIVABLE

As at September 30, 2023, the Company's notes receivable consist of the following:

	Current	Non-current	Total
Due from APP 1803 (acquisition cost of new dispensary and license), an arm's length party, accruing interest at 10% per annum (1)	$ 4,821,293	$ —	$ 4,821,293
Due from APP 1803 (new dispensary license deposit), an arm's length party, accruing interest at 0% per annum (2)	70,000	—	70,000
Due from APP 1804 (new dispensary lease commitments), an arm's length party, accruing interest at 0% per annum (3)	110,000	—	110,000
Due from Appalachian Pharm Processing, LLC, (working capital) an arm's length party, accruing interest at 0% per annum (4)	1,776,208	—	1,776,208
Due from Appalachian Pharm Processing, LLC, (cultivation Build Out) an arm's length party, accruing interest at 0% per annum (5)	198,143	—	198,143
Due from Appalachian Pharm Processing, LLC, (repay Ohio Partners expenses) an arm's length party, accruing interest at 0% per annum (6)	656,684	—	656,684
Due from Appalachian Pharm Processing, LLC, (forgive Ohio accounts receivable) an arm's length party, accruing interest at 0% per annum (7)	1,007,301	—	1,007,301
Due from APP 1804 (new dispensary escrow), an arm's length party, accruing interest at 0% per annum (8)	26,799	—	26,799
Due from Rinse Repeat Ventures, an arm's length party, accruing interest at 0% per annum	387,578		387,578
Total	**$ 9,054,006**	**$ —**	**$ 9,054,006**

As at September 30, 2023 the notes receivables are classified as current as the Company applied for the Ohio cannabis licenses and will have approval by December 31, 2023. Upon being granted the cannabis licenses, the receivable will become an investment in the Ohio operations.

As at December 31, 2022, the Company's notes receivables consisted of the following:

	Current	Non-current	Total
Due from APP 1803 (acquisition cost of new dispensary and license), an arm's length party, accruing interest at 10% per annum (1)	$ 4,000,000	$ —	$ 4,000,000
Due from APP 1803 (new dispensary license deposit), an arm's length party, accruing interest at 0% per annum (2)	70,000	—	70,000
Due from APP 1803 (new dispensary working capital), an arm's length party, accruing interest at 0% per annum (1)	836,292	—	836,292
Due from APP 1804 (new dispensary lease commitments), an arm's length party, accruing interest at 0% per annum (3)	110,000	—	110,000
Due from Appalachian Pharm Processing, LLC, (working capital) an arm's length party, accruing interest at 0% per annum (4)	1,657,259	—	1,657,259
Due from Appalachian Pharm Processing, LLC, (cultivation Build Out) an arm's length party, accruing interest at 0% per annum (5)	9,650,000	—	9,650,000
Due from Appalachian Pharm Processing, LLC, (repay Ohio Partners expenses) an arm's length party, accruing interest at 0% per annum (6)	656,685	—	656,685
Due from Appalachian Pharm Processing, LLC, (forgive Ohio accounts receivable) an arm's length party, accruing interest at 0% per annum (7)	1,007,301	—	1,007,301
Due from Rinse Repeat Ventures, an arm's length party, accruing interest at 0% per annum	124,312	—	124,312
Total	**$ 18,111,849**	**$ —**	**$ 18,111,849**

7. NOTES RECEIVABLE *(CONTINUED…)*

(1) On March 30, 2020, the Company's wholly owned subsidiary, Vapen, LLC ("Vapen"), entered into a non-binding letter of intent (the "LOI"), a convertible loan agreement, with Appalachian Pharms Processing, LLC ("App Pharms") to form a joint venture in Ohio related to the manufacturing, production and sale of medical cannabis products in Ohio, pursuant, and subject to, applicable Ohio state law. On March 15, 2021, the Company entered into a Letter of Intent (the "LOI") with Appalachian Pharms Processing 1803 LLC (APP1803) to acquire an option for a dispensary license in Ohio. Through a subsidiary, the Company will have a 50% economic interest and a 48% ownership for the license. The Company's total contribution for the option was $4,821,293 plus accrued interest of $164,066. The convertible loan agreement will transfer the ownership of the license, per Ohio State regulations in 2023.

(2) An additional $70,000 was loaned to APP1803, a dispensary in Ohio for a renewal of the license, under the original LOI with APP1803 as at September 30, 2023.

(3) An additional $110,000 was loaned to APP1804, a second new dispensary in Ohio as a deposit on the license, under the original LOI with APP1803 as at September 30, 2023.

(4) March 30, 2020, Vapen agreed, and subsequently advanced to Appalachian Pharms Processing, LLC, $500,000 in two equal installments of $250,000 on April 1, 2020 and April 6, 2020, for the exclusive purpose for the manufacturing and production of cannabis products as well as associated expenses. Interest of $109,500 was charged as of December 31, 2022 when the loan was added to the existing working capital advance of $477,755 and subsequently an additional $570,004 was advanced for a total of $1,776,208 as of September 30, 2023.

(5) Appalachian Pharms Processing was loaned $9,650,000 as at December 31, 2022 as additional working capital per the LOI for cultivation build out. As at September 30, 2023 a $198,143 balance remains as working capital per the LOI for cultivation build out.

(6) Appalachian Pharms Processing was paid $656,684 as at September 30, 2023 to reimburse Ohio Partner expenses per the LOI.

(7) Appalachian Pharms Processing Accounts Receivable New Gen Holdings, Inc, was transferred to note receivable as part of the future purchase in the amount of $1,007,301 as at September 30, 2023 per the LOI.

(8) Buckeye Botanicals, LLC owes New Gen Holdings, Inc $26,799 from escrow on the purchase (Note 8) for inventory paid for after the sale on behalf of Buckeye Botanicals LLC.

As at September 30, 2023, the Company has loaned to Appalachian Pharms Processing and APP 1803 an aggregate of $8,666,427 (December 31, 2022 - $17,987,537).

(Expressed in U.S. Dollars)

7. NOTES RECEIVABLE *(CONTINUED…)*

As at September 30, 2023, and December 31, 2022, the Company's notes receivables related to Ohio consist of the following by location:

APP 1803, LLC	**December 31, 2022**	**Activity**	**September 30, 2023**
Contributions	$ 4,000,000	$ —	**$ 4,000,000**
Working Capital	836,292	(15,000)	**821,292**
Interest	—	—	**—**
Deposit for License	70,000	—	**70,000**
	$ 4,906,292	**$ (15,000)**	**$ 4,891,292**
APP 1804, LLC			
Buckeye Botanical Advance	—	26,799	**26,799**
Deposit for License	110,000	—	**110,000**
	$ 110,000	**$ 26,799**	**$ 136,799**
APP Pharms, LLC			
Startup Loan	$ —	$ —	**$ —**
Forgive Accounts Receivable	1,007,301	—	**1,007,301**
Reimburse Expenses	656,685	—	**656,685**
Working Capital	1,657,259	118,949	**1,776,208**
Working Capital - Build Out*	9,650,000	(9,451,858)	**198,142**
	$ 12,971,245	**$ (9,332,909)**	**$ 3,638,336**
Total	**$ 17,987,537**	**$ (9,321,110)**	**$ 8,666,427**

The members of App Pharms and APP1803 are essentially the same. They are two separate LLCs within the State of Ohio for the purpose of ownership of the separate cannabis licenses. The Loan Agreements are secured against the processing licenses held by App Pharms and the assets of APP1803.

In Q2 2023 $9,451,857 was transferred from the note receivable and was relieved as the cultivation center in Ohio came online and transferred to a fixed asset under New Gen Ohio, LLC.

(Expressed in U.S. Dollars)

8. OHIO ACQUISITION

On January 2, 2023, the Company's wholly owned subsidiary, Jackson Pharm, LLC, ("Jackson") acquired 100% of the issued and outstanding common shares of Buckeye Botanicals, LLC ("Buckeye Botanicals"), an Ohio limited liability company operating a cannabis dispensary in Jackson, Ohio. The acquisition is a business combination accounted for using the acquisition method in accordance with IFRS 3, Business Combinations ("IFRS 3").

The addition of Buckeye Botanicals gives the Company a second retail storefront in Ohio to further strengthen its vertical position in the state. Subsequent to the acquisition, Buckeye Botanicals will operate under the name Herbal Wellness Center Ohio. Jackson acquired Buckeye Botanicals for a total purchase price of $6,806,156, which consisted of cash consideration of $6,116,156 and cash held in escrow of $690,000. These funds were held as a deposit at December 31, 2022, then the license and ownership transferred on January 2, 2023.

The cash held in escrow consists of an Indemnification Hold back of $690,000 that is retained from the initial purchase price and held in escrow to satisfy a valid indemnification claim, should one arise. An indemnification claim is any loss born by the Company that is greater than $40,000 (and up to a maximum of $345,000) and arises out of any breach by the sellers of any representation, warranty, covenant, or agreement contained in the share purchase agreement. If there are no indemnification claims asserted by the Company, the total Indemnification hold back amount will be paid to the sellers, on a pro-rata basis.

The total consideration was allocated to the net assets acquired based on their acquisition date fair values, and excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. The transaction can be summarized as follows:

		January 2, 2023
Net assets acquired		
Cash	$	8,695
Inventory		101,810
Prepaid expenses		1,780
Property and equipment		259,509
Right-of-use assets		212,131
Dispensary license		5,504,000
Brand		597,000
Lease liabilities		(212,131)
Deferred tax liability		(1,275,540)
Total identifiable net assets acquired		5,197,254
Goodwill arising on acquisition		1,608,902
Total net assets acquired	**$**	**6,806,156**
Consideration		
Cash	$	6,116,156
Cash held in escrow		690,000
	$	**6,806,156**

The excess of purchase price over net identifiable assets acquired, and the liabilities assumed resulted in goodwill of $1,608,902, which is largely attributable to the assembled workforce acquired and the synergies from combining operations. Goodwill will not be deductible for tax purposes. The Company recorded $1,275,540 in deferred income taxes from the acquisition.

From the date of acquisition, Herbal Wellness Center Ohio contributed $3,439,996 of revenue and $379,959 to income before income taxes for the nine months ended September 30, 2023. The Company expensed $433,550 of acquisition-related costs during the nine months ended September 30, 2023 related to this transaction. These costs have been classified as amortization expenses on the condensed consolidated interim financial statements of income and comprehensive income.

(Expressed in U.S. Dollars)

9. INVESTMENT IN JOINT VENTURES

Vapen Kentucky, LLC

On February 1, 2020, an operating agreement of Vapen Kentucky, LLC (“Vapen KY”) was signed for the purpose of being engaged in commercial hemp processing, manufacturing, extraction, and distribution activities. The Company holds 50% membership ownership of Vapen KY with Emerald Pointe Hemp, LLC (“EPH”) owning the other 50%. As at September 30, 2023, the Company loaned Vapen KY $1,788,750 for working capital as a contribution to the joint venture, $90,900 was in the nine months ended September 30, 2023. The working capital loan is interest free.

Vapen-Oklahoma, LLC

On February 12, 2020, the Company entered into a joint venture term sheet with Texoma Processing and Extraction, LLC (“TPE”) regarding Vapen-Oklahoma, LLC (“Vapen OK”). The Company is a minority member of Vapen OK holding 25% membership ownership, whereas TPE is a majority member owning 75% membership ownership of Vapen-OK and both parties have equal voting rights. The terms of the initial joint venture will be five years, with automatic successive renewal terms of additional five-year periods each. As at September 30, 2023, the Company loaned Vapen OK $1,512,426 for working capital as a contribution to the joint venture, with an aggregate of $75,000 having been repaid by Vapen OK in the nine months ended September 30, 2023. The working capital loan is interest free.

As at December 31, 2022 and nine months ended September 30, 2023 the balance of investments is comprised of the following:

	Vapen KY	Vapen OK	Total
Balance as at December 31, 2021	$ 727,740	$ 994,847	$ 1,722,587
Contributions	392,330	110,000	**502,330**
Share of loss of the joint ventures during the year	(392,729)	(73,469)	**(466,198)**
Balance as at December 31, 2022	**727,341**	**1,031,378**	**1,758,719**
Contributions	90,900	(75,000)	**15,900**
Share of income (loss) of the joint ventures during the period	(212,819)	59,983	**(152,837)**
Balance as at September 30, 2023	**$ 605,422**	**$ 1,016,361**	**$ 1,621,784**

Summarized financial information for equity accounted investees for the three months ended September 30, 2023, is as follows:

	Vapen KY	Vapen OK
Ownership %	**50%**	**25%**
Total current assets	$ 1,381,964	$ 898,564
Non-current assets	$ 7,060	$ 120,017
Total Assets	$ 1,389,024	$ 1,018,581
Total liabilities	$ 3,743,733	$ 3,008,819
Net Assets	$ (2,354,709)	$ (1,990,238)
Revenue	$ 32,213	$ 519,666
Cost of Goods Sold	$ 243,822	$ 513,236
Total Expenses	$ (53,057)	$ (119,568)
Net income (loss)	**$ (158,552)**	**$ 125,998**
The Company's equity share of income (loss) of joint venture	**$ (79,276)**	**$ 31,499**

(Expressed in U.S. Dollars)

10. LOANS TO JOINT OPERATIONS

Happy Travels, LLC

On June 10, 2020, the Company entered into a joint operation agreement with Green Goblin, Inc. ("GG") to operate Happy Travels, LLC ("Happy Travels"). GG owns 100% of Happy Travels and is managed by a four-member board. All revenues, profits and expenses are shared between the Company and Happy Travels. The Company acquired 50% of the voting rights to Happy Travels resulting in the Company and GG having equal voting rights, while GG owns 100% of Happy Travels. All assets, liabilities and obligations are shared between the Company and Happy Travels.

As a 50% partner in this joint operation, the Company controls 50% of Happy Travels, the Company will account 50% of Happy Travel's assets, liabilities, revenue and expenses in the Company's financials.

The terms of the initial joint arrangement will be three years, with automatic successive renewal terms of additional two-year periods.

As at September 30, 2023, the Company had the following loans to operations:

		September 30, 2023		December 31, 2022
Happy Travels, LLC.	**$**	**658,583**	$	510,626
Green Goblin, LLC.		**365,632**		365,632
	$	**1,024,215**	$	876,258

(Expressed in U.S. Dollars)

11. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets as at September 30, 2023 are as follows:

		September 30, 2023
Balance, December 31, 2022	$	1,188,499
Capitalized Costs		4,181,756
Change in fair value less costs to sell due to biological transformation		2,877,755
Transferred into inventory upon harvest		(7,290,302)
Balance at September 30, 2023	**$**	**957,708**

The fair value less costs to sell of biological assets is determined using a market approach where the fair value at the point of harvest is estimated based on spot prices of wholesale cannabis less post-harvest costs and costs to sell. For in process biological assets, the estimated fair value at point of harvest is attributed based on the plants' stage of growth. Stage of growth is determined by reference to days remaining to harvest over average growth cycle.

The following key inputs are used in determining the fair value of biological assets:

- Average selling price per gram - third-party cannabis spot price for wholesale cannabis.
- Average yield per plant - the number of grams a finished cannabis inventory which are expected to be derived from each harvested cannabis plant.
- Wastage of plants based on their various stages of growth - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
- Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest; and
- Stage of completion in the cultivation process - calculated by taking the weighted average number of weeks in production over a total average grow cycle of approximately 15 weeks.

Significant unobservable inputs		**September 30, 2023**		**December 31, 2022**
Average selling price per gram of flower	**$**	**2.87**	$	3.53
Weighted average yield of flower per plant (in grams)		**53.54**		52.78
Effect on fair value				
Sensitivity		**September 30, 2023**		**December 31, 2022**
Increase or decrease by $0.50 per gram	**$**	**151,064**	$	232,107
Increase or decrease by $0.10 per gram	**$**	**24,518**	$	23,919
Increase or decrease of yield by 10%	**$**	**95,711**	$	118,850

The Company estimated the harvest yields for the cannabis plants at various stages of growth at the reporting date as follows:

	September 30, 2023	**December 31, 2022**
Total expected yield (in grams)	**978,919**	1,480,847

The Company's estimates are, by nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

The effect of changes in the fair value of biological assets and inventory:

	For the Three Months Ended				**For the Nine Months Ended**			
		September 30, 2023		**September 30, 2022**		**September 30, 2023**		**September 30, 2022**
Unrealized change in fair value of biological assets	**$**	**763,984**	$	874,591	**$**	**2,877,755**	$	3,732,498
Realized change in fair value on inventory sold in the period		**(1,145,783)**		(622,550)		**(3,319,734)**		(1,808,245)
Net effect of changes in fair value of biological assets and inventory	**$**	**(381,799)**	$	252,041	**$**	**(441,979)**	$	1,924,253

As at September 30, 2023, the Company had 11,866 (December 31, 2022 - 16,042) plants in cultivation with 1,800 (December 31, 2022 - 900) plants greater than 80% grown; 3,118 (December 31, 2022 -3,988) plants between 60% and 80% grown; and 6,948 (December 31, 2022 - 11,154) plants less than 60% grown. Expected yields of flower and trim per plant were established and extended to the plants currently under cultivation based upon their percent complete. A standard wastage factor is applied to arrive at the net value of the plants.

(Expressed in U.S. Dollars)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Equipment and machinery	Building improvements	Leasehold improvements	Construction in progress*	Automobile	Total
Cost								
Balance at Balance at December 31, 2021	$ 2,610,779	$ 10,565,834	$ 11,239,571	$ 5,408,759	$ 402,681	$ 4,069,027	$ 220,004	**$ 34,516,655**
Disposals	—	—	(13,859)		—		(32,804)	**(46,663)**
Additions	—	58,689	2,628,058	661,394	17,024	5,462,072	79,809	**8,907,046**
Additions from acquisition (Note 14)	—	51,083	112,638	1,308,752	604,972	—	—	**2,077,445**
Balance at Balance at December 31, 2022	$ 2,610,779	$ 10,675,606	$ 13,966,408	$ 7,378,905	$ 1,024,677	$ 9,531,099	$ 267,009	**$ 45,454,483**
Disposals	—	—	—	—	—	—	(100,976)	**(100,976)**
Additions	—	—	3,160,249	685,975	7,297,260	1,035,355	—	**12,178,838**
Additions from CIP			331,622		73,119	(404,741)		—
Additions from acquisition (Note 8)	—	—	80,448	—	179,061	—	—	**259,509**
Balance at September 30, 2023	**$ 2,610,779**	**$ 10,675,606**	**$ 17,538,727**	**$ 8,064,880**	**$ 8,574,117**	**$ 10,161,713**	**$ 166,033**	**$ 57,791,855**
Accumulated Amortization								
Balance at Balance at December 31, 2021	—	519,222	2,870,574	2,073,453	161,603	—	74,539	**$ 5,699,391**
Disposals	—	—	(3,108)	—	—	—	(9,557)	**(12,665)**
Depreciation	—	318,534	1,608,426	978,661		—	56,351	**2,961,972**
Depreciation on acquisition	—	—	91,580		64,983	—	—	**156,563**
Depreciation from acquisition (Note 14)		3,485	49,204	925,189	20,690	—	—	**998,568**
Balance at Balance at December 31, 2022	$ —	$ 841,241	$ 4,616,676	$ 3,977,303	$ 247,276	$ —	$ 121,333	**$ 9,803,829**
Disposals	—	—	—	—	—	—	(73,180)	**(73,180)**
Depreciation	—	207,878	1,617,213	531,955	464,152	—	28,752	**2,849,950**
Depreciation from acquisition (Note 14)	—	—	10,069	151,204	78,789	—	—	**240,062**
Depreciation from acquisition (Note 8)	—	—	8,588	—	13,381	—	—	**21,969**
Balance at September 30, 2023	**$ —**	**$ 1,049,118**	**$ 6,252,546**	**$ 4,660,462**	**$ 803,598**	**$ —**	**$ 76,905**	**$ 12,842,630**
Net Book Value								
December 31, 2021	$ 2,610,779	$ 10,046,612	$ 8,368,997	$ 3,335,306	$ 241,078	$ 4,069,027	$ 145,465	**$ 28,817,264**
December 31, 2022	$ 2,610,779	$ 9,834,366	$ 9,349,732	$ 3,401,602	$ 777,401	$ 9,531,099	$ 145,676	**$ 35,650,656**
Balance at September 30, 2023	**$ 2,610,779**	**$ 9,626,487**	**$ 11,286,181**	**$ 3,404,418**	**$ 7,770,519**	**$ 10,161,713**	**$ 89,128**	**$ 44,949,225**

Additions during the nine months ended September 30, 2023 were the assets of one acquisition on January 2, 2023 (Note 8). Of the total depreciation expense during the nine months ended September 30, 2023 - $2,044,838 (September 30, 2022 - $1,989,656) was included in the cost of sales and $1,067,139 (September 30, 2022 - $307,291) was included in operating expense.

Additions during the year ended December 31, 2022 were the assets of two acquisitions on January 1, 2022 (Note 14).

*Construction in process consists of one cultivation project in Eloy, Arizona at this time for $9,692,897 as of September 30, 2023 and other smaller cultivation projects to be finished this year.

(Expressed in U.S. Dollars)

13. INTANGIBLE ASSETS AND GOODWILL

Identifiable intangible assets consist of the following:

Intangible Assets	Balance as at December 31, 2021	Additions (Disposals)	Amortization	Balance as at December 31, 2022	Additions (Disposals)	Amortization	Balance as at September 30, 2023
Management Service Agreement	$ 6,326,925	$ (6,326,925)	$ —	$ —	—		—
Firebrand (Brand name)	173,550	—	(53,400)	120,150	—	(40,050)	**80,100**
Patent	210,000	—	(15,000)	195,000	—	(11,250)	**183,750**
Licenses - Ohio (Note 8)	—	—	—	—	5,504,000	(344,000)	**5,160,000**
Licenses - Arizona (Note 14)	—	26,068,630	(2,172,387)	23,896,243	—	(1,629,290)	**22,266,954**
Brand Name - Ohio (Note 8)	—	—	—	—	597,000	(89,550)	**507,450**
Brand Name - Arizona (Note 14)	—	4,168,344	(833,668)	3,334,676	—	(625,252)	**2,709,424**
Customer Relationships - Arizona (Note 14)	—	365,380	(73,076)	292,304	—	(54,808)	**237,496**
Total	$ 6,710,475	24,275,429	(3,147,530)	27,838,374	6,101,000	(2,794,200)	**$ 31,145,174**

On January 1, 2022, the Company completed an acquisition (Note 14) whereby $30,602,354 of intangible assets were acquired.
Due to this acquisition, the Management Service Agreement of $6,326,925 has been dissolved.

On January 2, 2023, the Company completed an acquisition (Note 8) whereby $7,709,902 of intangible assets were acquired.

Goodwill	Balance as at December 31, 2021	Additions	Balance as at December 31, 2022	Additions	Balance as at September 30, 2023
Goodwill - Arizona	$ 461,752	$ —	$ 461,752	$ —	**$ 461,752**
Goodwill - Ohio (Note 8)	—	—	—	1,608,902	**1,608,902**
Total	$ 461,752	$ —	$ 461,752	$ 1,608,902	**$ 2,070,654**

As at September 30, 2023 and December 31, 2022, there was no impairment on goodwill and no change to the balance.

(Expressed in U.S. Dollars)

14. ARIZONA ACQUISITION

Herbal Wellness Center, Inc. ("HWC"), was formed as an Arizona non-profit corporation on May 6, 2011 and converted to a for-profit corporation effective January 1, 2022 in accordance with the Arizona Restructuring Entity Act (A.R.S. § 29-2401) and the Responsible Adult Use of Marijuana Act (A.R.S. § 36-2858). HWC holds a medical cannabis dispensary certificate ("MMJ License") in the state of Arizona, certain cannabis inventory / biological assets, and other working capital items. On January 1, 2022, upon conversion to a for-profit organization, HWC elected and approved the Company to serve as the initial shareholder holding 100% of the 100,000 outstanding shares of HWC.

Organica Patient Group, Inc. ("Organica"), was formed as an Arizona non-profit corporation on May 6, 2011 and converted to a for-profit corporation effective January 1, 2022 in accordance with the Arizona Restructuring Entity Act (A.R.S. § 29-2401) and the Responsible Adult Use of Marijuana Act (A.R.S. § 36-2858). Organica holds a medical cannabis dispensary certificate ("MMJ License") in the state of Arizona, certain cannabis inventory / biological assets, and other working capital items. On January 1, 2022, upon conversion to a for-profit organization, Organica elected and approved the Company to serve as the initial shareholder holding 100% of the 100,000 outstanding shares of Organica.

The transactions did not constitute a business combination since HWC and Organica did not meet the definition of a business under IFRS 3. As a result, the transactions have been accounted for as an asset acquisition with the Company being identified as the acquirer and HWC and Organica being the acquiree with the transaction being measured at fair value.

The Company allocated the purchase price of the HWC and Organica acquisition as follows, the fees incurred to acquire HWC and Organica are included in the total purchase price below:

		January 1, 2022
Cash	$	736,538
Accounts receivable		810,498
Prepaid expenses		131,370
Biological assets		1,833,126
Inventory		3,865,981
Fixed assets		1,078,877
Licenses		26,068,630
Brand name		4,168,344
Customer relationships		365,380
Accounts payable		(257,501)
Sales tax payable		(359,854)
Deferred tax liability & contingency		(3,006,309)
Net assets acquired	**$**	**35,435,080**
Total non-cash consideration*		35,351,227
Transaction costs		83,853
Total purchase consideration	**$**	**35,435,080**

The purchase of HWC and Organica required exchanging the following assets due to the Company:

		January 1, 2022
HWC Notes receivable	$	5,833,546
HWC Accounts receivable		13,276,119
OPG Notes receivable		2,544,266
OPG Accounts receivable		7,370,371
Intangible Asset (MSA - See Note 13)		6,326,925
Net assets allocated*	**$**	**35,351,227**

(Expressed in U.S. Dollars)

15. PAYABLES AND ACCRUED LIABILITIES

The Company's payables and accrued liabilities consist of the following:

	September 30, 2023	December 31, 2022
Trade payables	**$ 2,355,867**	$ 1,977,818
Credit card payable	**37,111**	54,922
Sales tax payable	**438,850**	455,870
Income tax payable	**777,164**	—
Interest payable	**—**	10,192
Deferred tax liability & contingency (Note 14)	**—**	3,006,309
Payroll liabilities	**489,313**	1,153,210
Accrued liabilities	**301,457**	360,313
	$ 4,399,762	$ 7,018,634

(Expressed in U.S. Dollars)

16. NOTES PAYABLE

Current notes payable are made up of the following:

	September 30, 2023	December 31, 2022
Maturing July 15, 2027 with an interest rate of 10% per annum (1)	**$ 1,850,356**	$ 1,850,356
Maturing July 15, 2027 with an interest rate of 10.5% per annum (1)	**1,269,559**	1,269,559
Maturing December 19, 2032 with an interest rate of 8.75% per annum (2)	**986,572**	986,572
	$ 4,106,487	$ 4,106,487

Current notes payable from the acquisition of RDF are made up of the following:

	September 30, 2023	December 31, 2022
Current portion of promissory note from acquisition	**$ 1,200,000**	$ 1,200,000
Current portion of liabilities settlement from acquisition	**—**	—
	$ 1,200,000	$ 1,200,000

Non-current notes payable are made up of the following:

	September 30, 2023	December 31, 2022
Maturing July 15, 2027 with an interest rate of 10% per annum (1)	**$ 14,379,340**	$ 14,513,521
Maturing July 15, 2027 with an interest rate of 10.5% per annum (1)	**2,701,062**	3,219,037
Maturing December 19, 2032 with an interest rate of 8.75% per annum (2)	**9,427,893**	8,278,940
Maturing December 19, 2032 with an interest rate of 8.75% per annum (2)	**1,041,143**	—
Maturing October 1, 2023 with an interest rate of 0% per annum	**153,970**	—
	$ 27,703,409	**$ 26,011,498**

Non-current notes payable from the acquisition of RDF are made up of the following:

	September 30, 2023	December 31, 2022
Promissory note from acquisition	**$ 1,040,406**	$ 1,198,598
Other notes payable with no maturing date and nil interest	**—**	—
	$ 1,040,406	$ 1,198,598

(1) On July 8, 2022, the Company completed a financing comprised of two promissory notes with gross proceeds of $22,185,000 and financing costs of $967,914. The promissory notes are secured by an interest in substantially all of the Company's assets. The first promissory note $5,000,000 is subject to a variable interest rate calculated based on the Wall Street Journal Prime plus a spread of 2.75% (9.75% at December 31, 2022), and are subject to a floor of 6.25%. The second promissory note of $17,185,000 has a fixed rate of 9.59% at December 31, 2022. Blended payments of $259,992 for principal and accrued interest are due on the 15th day of the calendar month and the promissory notes mature on July 15, 2027. The Company has the right to prepay any or all of the principal balance outstanding at any time. The promissory notes require the Company to maintain certain financial covenants including a debt coverage ratio and a debt to tangible net worth ratio. The Company is in compliance with its covenants as at September 30, 2023.

(2) On December 16, 2022, the Company completed a financing with gross proceeds of $10,000,000 and financing costs of $733,024 related to its Ohio operations (the "Ohio loan 1"). On March 17, 2023 the Company received an additional $1,000,000 on the same terms and conditions with net additional closing costs of $8,987 (the "Ohio loan 2"). The Ohio loans are secured by an interest in certain assets in Ohio. The Ohio loans are subject to an interest rate calculated based on the Constant Maturities Rate published by the Federal Reserve Board plus a spread of 5% (8.75% at December 31, 2022), and is subject to a floor of 7.5%. The interest rate is reset on January 1, 2028 to the Constant Maturities Rate plus a spread of 5% at that date. Blended payments of $90,579 for principal and accrued interest are due on the 15th day of the calendar month and the Ohio loans mature on January 1, 2033. The Company has the right to prepay any or all of the principal balance outstanding at any time subject to a penalty of up to 3% of the loan balance.

(Expressed in U.S. Dollars)

17. LEASES

Right-of-use asset:

In accordance with IFRS 16, the Company had three lease agreements at December 31, 2020 for its leased premises, consisting of office and warehouse space. Of these three leases, two had terms expiring April 30, 2024, while the third expires September 30, 2029. The two leases ending April 30, 2024 were being subleased by the Company as at December 31, 2020. On May 20, 2021 the Company acquired these two sublease properties which resulted in a derecognition (termination) of a lease liability and net investment in subleases during the year ended December 31, 2021.

As at January 1, 2022 the Company acquired two new leases when it acquired Organica Patient Group (OPG) Dispensary, the ROU asset and lease liability schedules are below:

	OPG #1	OPG #2	OFFICE	AZ Total
Balance at December 31, 2021			$ 228,835	$ 228,835
Additions (Step rent increase as at January 1, 2022			242,539	242,539
Amortization			(28,568)	(28,568)
Balance at January 1, 2022	**$ 239,495**	**$ 241,089**	**$ 442,806**	**$ 923,390**
Additions	—	—	54,598	54,598
Amortization	(59,874)	(60,272)	(60,901)	(181,047)
Balance at December 31, 2022	**$ 179,621**	**$ 180,817**	**$ 436,502**	**$ 796,940**
Additions				—
Amortization Q1	(14,968)	(15,068)	(16,167)	(46,203)
Amortization Q2	(14,968)	(15,068)	(16,167)	(46,203)
Amortization Q3	$ (14,968)	$ (15,068)	$ (16,167)	(46,203)
Balance at September 30, 2023	**$ 134,716**	**$ 135,613**	**$ 388,002**	**$ 658,331**

As at January 2, 2023 the Company acquired one new lease when it acquired Herbal Wellness Center Ohio Dispensary, the ROU asset and lease liability schedules are below:

	HWC OH	OH Total
Balance at December 31, 2022	—	—
Acquisition (Note 8)	$ 212,131	$ 212,131
Amortization Q1	(3,467)	(3,467)
Amortization Q2	(3,468)	(3,468)
Amortization Q3	$ (3,468)	(3,468)
Balance at September 30, 2023	**$ 201,728**	**$ 201,728**

Balance at September 30, 2023 total ROU	**$ 860,059**

The total amortization expense for the nine months ended September 30, 2023 was included in operating expenses.

(Expressed in U.S. Dollars)

17. LEASES (*CONTINUED…*)

Lease liability:

Lease liability for the nine months ended September 30, 2023 and year ended December 31, 2022 were as follows:

	OPG #1	OPG #2	Office	HWC OH	Total
At Balance at December 31, 2021			**266,064**	—	**266,064**
At January 1, 2022	**$ 239,495**	**$ 241,089**	**$ 487,435**	—	**968,019**
Additions			54,598	—	54,598
Interest Expense	27,817	28,014	63,446	—	119,278
Lease payments	(71,505)	(71,820)	(104,821)	—	(248,146)
Balance at December 31, 2022	**$ 195,807**	**$ 197,283**	**$ 500,658**	**$ —**	**$ 893,749**
At January 2, 2023				212,131	212,131
Additions					—
Interest Expense	16,805	16,936	46,359	15,696	95,796
Lease payments	(56,217)	(56,558)	(82,944)	(18,643)	(214,363)
Balance at September 30, 2023	**$ 156,395**	**$ 157,661**	**$ 464,073**	**$ 209,184**	**$ 987,313**
Less: current portion	(61,732)	(62,161)	(54,640)	(6,727)	(185,260)
Long-term lease liability	**$ 94,663**	**$ 95,500**	**$ 409,433**	**$ 202,457**	**$ 802,053**

The following table discloses the undiscounted cash flow for the four lease obligations remaining at September 30, 2023:

	2023
Less than one year	**$ 233,843**
One to five years	**935,372**
More than five years	**1,188,702**
Total undiscounted lease obligations	**2,357,917**
Less imputed interest	**(1,555,864)**
Total present lease obligations	**$ 802,053**

The following table provides a summary of the lease expenses recognized in the statement of operations for the nine months ended September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Interest expense (included in cost of good sold – property and equipment leasing)	**$ 69,937**	$ 83,888
Interest expense (included in general and admin in operating expenses)	**25,859**	35,390
Amortization (included in operating expenses)	**$ 149,012**	$ 181,047

(Expressed in U.S. Dollars)

18. LOAN PAYABLE

On November 3, 2022, the Company completed a refinancing (the "Refinancing") of the Company's existing $4,400,000 principal amount of 10% secured non-convertible debentures (the "Refinanced Loan") issued by the Company on December 31, 2019 and maturing December 31, 2022. During the year ended December 31, 2021, the Company received a 1 year extension on the loan resulting in a new maturity date of December 31, 2022.

Pursuant to the Refinancing, the lenders exchanged all obligations under the Refinanced Loan in consideration for the issuance of: (i) an aggregate of $4,600,000 principal amount of 11.25% secured non-convertible debentures (the "New Loan") maturing on December 31, 2027, including an additional $200,000 principal amount of New Loan; and (ii) an aggregate of 365,909 warrants ("Loan Warrants") to purchase subordinate voting shares at an exercise price of CAD $0.50. The Loan Warrants can be exercised for 30 months after closing, subject to the Company's right to accelerate the expiry of the Loan Warrants if the daily volume weighted average trading price of the subordinated voting shares on the Canadian Securities Exchange is greater than or equal to CAD $1.50 for a period of five consecutive trading days, in which case the Loan Warrants will expire on the 30th day following the date of notice provided by the Company to the holders of the Loan Warrants.

The Refinanced Loan is secured by all present and after acquired personal property of the Company and its subsidiaries located in Arizona or Ohio or otherwise utilized by the Company or its subsidiaries for the purpose of business operations in Arizona or Ohio, and are subordinate to the Company's senior secured lenders.

The fair value of the Refinanced Loan was determined to be $4,850,841 using an annual effective interest rate of 10%. The fair value of the Loan Warrants was determined to be $23,396 using the Monte Carlo Simulation methodology and the following assumptions: Share Price: CAD $0.275; Risk-free rate: 3.84% ; Expected Volatility: 85%; Dividend yield: 0%; Discount for lack of marketability: 12%.

The loan payable balance for the nine months ended September 30, 2023, December 31, 2022 and December 31, 2021 were as follows:

December 31, 2021	**$**	**4,400,000**
Addition to principal amount		200,000
Less: Transactions Costs		(57,563)
Loss on Loan Modification		250,841
Accretion of Interest		(50,671)
December 31, 2022	**$**	**4,742,607**
Accretion of Interest		(18,014)
September 30, 2023	**$**	**4,724,593**
Current portion		475,785
Non-Current portion		4,248,809
September 30, 2023	**$**	**4,724,594**

(Expressed in U.S. Dollars)

19. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel for the three months ended September 30, 2023 and September 30, 2022 is summarized as follows:

	September 30, 2023	September 30, 2022
Share-based compensation	**$ 46,688**	$ 591,370
Salaries and wages included in cost of goods sold	**96,757**	83,530
Salaries, wages and commissions included in operating expenses	**195,808**	180,185
Consulting fees included in operating expenses	**18,750**	44,205
	$ 358,003	$ 899,290

Remuneration attributed to key management personnel for the nine months ended September 30, 2023 and September 30, 2022 is summarized as follows:

	September 30, 2023	September 30, 2022
Share-based compensation	**$ 151,318**	$ 619,216
Salaries and wages included in cost of goods sold	**258,493**	241,280
Salaries, wages and commissions included in operating expenses	**533,331**	510,052
Consulting fees included in operating expenses	**97,461**	132,753
	$ 1,040,603	$ 1,503,301

Other related parties include close family members of the Company's Executive Chairman, Corporate Secretary and Director and a company that is controlled by a Director.

(Expressed in U.S. Dollars)

19. RELATED PARTY TRANSACTIONS (*CONTINUED…*)

Balances with related parties:

Due from related parties:

The current portion of balances due from related parties is as follows:

	September 30, 2023	December 31, 2022
Non-interest bearing, due on December 31, 2023 from Jason T. Nguyen, Executive Chairman and Director	**$ 1,328,383**	$ 1,328,383
	$ 1,328,383	$ 1,328,383

	September 30, 2023	December 31, 2022
Non-interest bearing, due on December 31, 2022 from Jason T. Nguyen, Executive Chairman and Director	**$ —**	$ 316,251
	$ —	$ 316,251

Due to related parties:

Amounts due to related parties (or former related parties) as at September 30, 2023 and December 31, 2022 included the following:

	September 30, 2023	December 31, 2022
Payables and Accrued Liabilities		
Jason T. Nguyen, Executive Chairman and Director	$ —	$ 85,000
Denise Lok, Former CFO	—	3,866
Mark Opzoomer, Director	—	40,000
Eric Offenberger, CEO, COO, and Director	—	150,000
	$ —	$ 278,866

20. SHARE CAPITAL

(a) Share Capital

The Company is authorized to issue the following shares:

- Unlimited subordinated voting common shares ("Subordinated Voting Shares" or "Common Shares") without par value; and
- Unlimited super voting shares with multiple voting rights ("Multiple Voting Shares"), each convertible into 100 Subordinated Voting Shares.

For the nine months ended September 30, 2023:

- During the period, the Company issued an aggregate of 834,952 common shares upon settlement of 1,249,775 restricted share units, which were settled for a combination of common shares and cash equivalent to the amount the Company was permitted to withhold under the Company's restricted share unit plan for the remittance of tax related to the settlement of such restricted share units.

Fiscal year ended December 31, 2022:

- On December 15, 2022, the Company issued an aggregate of 8,999,989 common shares, upon entering into a definitive agreements to acquire Appalachian Pharm Processing, LLC, an Ohio limited liability company, together with its subsidiaries and affiliated companies. The common shares are held in escrow by the Company and released upon closing conditions are satisfied. There has been no value recorded or assigned to these shares as they are exercised, however held in escrow until the transfer of the licenses in Ohio.

- On December 5, 2022, the Company issued an aggregate of 22,610 common shares upon settlement of 31,250 restricted share units, which were settled for a combination of common shares and cash equivalent to the amount the Company was permitted to withhold under the Company's restricted share unit plan for the remittance of tax related to the settlement of such restricted share units.

- On November 7, 2022, the Company issued an aggregate of 1,510,460 common shares upon settlement of 2,115,833 restricted share units, which were settled for a combination of common shares and cash equivalent to the amount the Company was permitted to withhold under the Company's restricted share unit plan for the remittance of tax related to the settlement of such restricted share units.

- On August 18, 2022, the Company issued 300,000 common shares to a shareholder in replacement of 300,000 common shares (the "Original Shares") that are subject to special administration proceedings with respect to the financial services firm holding the Original Shares. As of the date hereof, the Original Shares cannot be traded and will be returned to treasury for cancellation if and when they become tradable.

- On June 10, 2022, 2,931 Multiple Voting Shares were converted into 293,100 Subordinated Voting Shares.

- On February 18, 2022, 8,333 RSUs were exercised into 8,333 Subordinated Voting Shares, for a total value of $7,901.

- On January 11, 2022, 2,931 Multiple Voting Shares were converted into 293,100 Subordinated Voting Shares.

- On January 6, 2022, 369,500 warrants were exercised at $0.36 (CAD 0.45) for a total of $129,845 (CAD 166,275).

(Expressed in U.S. Dollars)

20. SHARE CAPITAL (*CONTINUED…*)

(b) Warrants

The following table reflects the continuity of warrants for the period ending September 30, 2023:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2021	**33,541,928**	**CAD 0.77**
Issued	365,909	CAD 0.50
Exercised	(369,500)	CAD 0.45
Outstanding, December 31, 2022	**33,538,337**	**CAD 0.76**
Outstanding, September 30, 2023	**33,538,337**	**CAD 0.76**

As at September 30, 2023 the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
21,556,965	CAD 0.45	0.09	November 2, 2023
302,483	CAD 0.36	0.09	November 2, 2023
1,357,980	CAD 1.12	0.36	February 8, 2024
9,955,000	CAD 1.40	0.36	February 8, 2024
365,909	CAD 0.50	1.59	May 3, 2025
33,538,337	CAD 0.76	0.20	

(c) Stock options

The Company has adopted a Stock Option Plan (the “Plan”) pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding Common Shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the Common Shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the period ended September 30, 2023 is as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2021	**3,033,334**	**CAD 0.99**
Granted	1,765,000	CAD 0.82
Forfeited	(62,000)	CAD 0.86
Outstanding, December 31, 2022	**4,736,334**	**CAD 0.93**
Granted	665,000	CAD 0.55
Forfeited	(2,000)	CAD 1.00
Outstanding, September 30, 2023	**5,399,334**	**CAD 0.88**

(Expressed in U.S. Dollars)

20. SHARE CAPITAL (*CONTINUED…*)

As at September 30, 2023 the Company had the following stock options outstanding:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Life (years)	Expiry Date
100,000	100,000	CAD 0.96	—	October 2, 2023
50,000	50,000	CAD 0.75	3.44	March 8, 2027
696,000	696,000	CAD 1.00	5.27	January 4, 2029
200,000	200,000	CAD 1.00	5.62	May 13, 2029
833,334	833,334	CAD 0.75	6.62	May 12, 2029
375,000	375,000	CAD 0.75	7.16	November 26, 2030
285,000	285,000	CAD 1.22	7.27	January 31, 2031
500,000	500,000	CAD 1.43	7.39	February 19, 2031
310,000	103,330	CAD 0.58	8.56	April 19, 2032
10,000	3,333	CAD 0.58	8.74	June 23, 2032
1,000,000	750,000	CAD 1.00	8.91	August 24, 2032
250,000	187,500	CAD 0.60	8.91	August 24, 2032
125,000	125,000	CAD 0.50	9.24	December 22, 2032
465,000	154,996	CAD 0.50	9.48	March 22, 2033
200,000	—	CAD 0.68	9.96	September 11, 2033
5,399,334	**4,363,493**	**CAD 0.88**	**7.47**	

Total share-based compensation for the period ended September 30, 2023 for options was $188,577. Additionally, the Company recognized $84,240 of share-based compensation related to restricted shares units respectively, for a total of $272,817 share-based compensation.

The fair value of the options granted during the year was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2023	December 31, 2022
Expected volatility	**124.51 - 131.65%**	124.51 - 131.65%
Expected option life (years)	**5-10**	5-10
Risk-free interest rate	**1.21 - 3.69%**	1.21 - 3.29%
Expected dividend yield	**0**	0

(d) Restricted Share Units

The Company approved the implementation of a restricted share units (the "RSU") plan on November 12, 2020, which RSU is designed to provide certain directors, officers, consultants and other key employees of the Company and its related entities with the opportunity to acquire restricted share of the Company. RSUs may be exercised by any holder of RSU to receive an award payout of either: (a) Subordinated Voting Share of the Company for each whole vested RSU; or (b) a cash amount equal to the defined date value of such vested RSU.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the Subordinated Voting Share on the grant date multiplied by the number of RSUs granted and taking into account market conditions.

The fair value is expensed over the vesting term. Upon conversion of the RSU, the carrying amount is recorded as an increase in common share capital and a reduction in the RSU reserve.

(Expressed in U.S. Dollars)

20. SHARE CAPITAL (*CONTINUED…*)

On January 6, 2021, the Company granted 140,000 RSUs to employees of the Company, in which one-third can be exercised into Subordinated Voting Shares on January 1, 2022, 2023, and 2024. The RSUs will expire on January 6, 2024 and (53,334 RSUs were cancelled as at December 31, 2022.

On February 23, 2022, the Company granted a total of 331,025 RSUs to a Director and an employee of the Company, in which 250,000 RSUs can be exercised into Subordinated Voting Shares every three months starting from February 11, 2022 and expires on February 11, 2024 and 81,025 RSUs can be exercised into Subordinated Voting Shares on February 23, 2023 and expires on February 23, 2023.

On June 23, 2022, the Company granted 75,000 RSUs to an officer of the Company, in which one-third can be exercised into Subordinated Voting Shares on the grant date, January 1, 2023 and July 1, 2023. The RSUs will expire on June 23, 2025.

On August 24, 2022, the Company granted 3,000,000 RSUs to an officer and director of the Company, in which two- third can be exercised into Subordinated Voting Shares on the grant date and one-third on February 24, 2023. The RSUs will expire on August 24, 2025.

On March 22, 2023, the Company granted 225,908 RSUs to a Director of the Company, in which the full amount can be exercised into Subordinated Voting Shares on March 22, 2024 and expire on March 22, 2026.

As of September 30, 2023, the Company recognized $84,240 as share-based compensation, compared to $566,081 for September 30, 2022.

The continuity of RSU for the period ended September 30, 2023 is as follows:

	Number of RSU's
Outstanding, December 31, 2021	110,000
Granted	3,436,025
Exercised	(2,155,416)
Cancelled	(53,334)
Outstanding December 31, 2022	**1,337,275**
Granted	225,908
Exercised	(1,249,775)
Outstanding, September 30, 2023	**313,408**
Exercisable, September 30, 2023	**—**

(e) Special Advisory Warrants

As of September 30, 2023, the Company has 1,000,000 special advisory warrants (the "Advisory Warrants") outstanding. The Advisory Warrants are exercisable at CAD 1.00 and expire on December 31, 2024. As of September 30, 2023, the Advisory Warrants were fully vested and nil was recorded as share-based compensation

(f) Escrow Securities

As at September 30, 2023, the Company had 8,999,989 (APP Pharms, LLC) Subordinated Voting Shares (2022 – nil) held in escrow.

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the growth and development of its operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of equity.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to maximize ongoing development efforts, the Company does not pay dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

(Expressed in U.S. Dollars)

22. SEGMENTED REPORTING

The Company's operations consist of a single operating segment engaged in the cultivation, manufacturing, distribution and sale of cannabis within the United States. All revenues are generated in the United States for the three and nine-month periods ended September 30, 2023 and 2002 and all property and equipment and intangible assets are located in the United States.

The Company defines its major geographic operating segments as Arizona and Ohio. Due to jurisdictional cannabis compliance issues ever-present in the industry, each state operation is by nature operationally segmented.

Key decision makers primarily review revenue, cost of goods sold, and gross profit (loss) as the primary indicators of segment performance. As the Company continues to expand via acquisition, the segmented information will expand based on management's agreed upon allocation of costs beyond gross margin.

For the period ending September 30, 2023, the Company recognized sales of $8,099,285 (2022 - $7,673,101) of which approximately 86% (2022 - 100%) were derived from the Company's operation in Arizona.

For the period ended September 30, 2023 and September 30, 2022

	Arizona	Ohio	Total
	$	$	$
Balance at September 30, 2022			
Total Sales	7,673,101	—	**7,673,101**
Cost of Goods Sold	2,796,630	—	**2,796,630**
Gross Profit	4,876,471	—	**4,876,471**
Balance at September 30, 2023			
Total Sales	6,952,541	1,146,744	**8,099,285**
Cost of Goods Sold	4,779,731	514,813	**5,294,544**
Gross Profit	2,172,810	631,931	**2,804,741**

	Arizona	Ohio	Total
	$	$	$
Balance at December 31, 2022			
Property, plant, and equipment	35,650,655	—	**35,650,655**
Intangible Assets	27,838,374	—	**27,838,374**
Goodwill	461,752	—	**461,752**
Balance at September 30, 2023			
Property, plant, and equipment	32,791,604	12,157,621	**44,949,225**
Intangible Assets	25,477,726	5,667,450	**31,145,176**
Goodwill	461,752	1,608,902	**2,070,654**

(Expressed in U.S. Dollars)

23. FAIR VALUE MEASUREMENT

The fair value of the Company's accounts receivable, short-term notes receivable, advances to joint operation, deposits and other receivables, payables, approximate their carrying value, due to their short-term nature. The fair value of other financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The fair value of notes payable approximate their carrying value due to variable interest rates which represent market value.

The Company's cash and investment are measured at fair value under the fair value hierarchy based on level 1 quoted prices in active markets for identical assets and liabilities.

The Ohio Note was recognized at its estimated fair value at the initial recognition of $11,000,000 using a discounted cash flow approach. At September 30, 2023, the fair value of the Ohio Loan is $11,455,610. The fair value of the Secured Note was estimated using Level 3 inputs and is most sensitive to changes in market discount rates.

Sensitivity Analysis:

The key inputs used in determining the fair value of the Ohio loan is as follows:

	September 30, 2023	December 31, 2022
Key unobservable inputs		
Discount rate	9.74%	8.94%

Assuming all other inputs remain constant, a 2% change in the discount rate used will have the following impact on the fair value of the Ohio Loan at September 30, 2023:

	2%	(2%)
Discount rates	($1,250,000)	$1,250,000

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

Balance at December 31, 2022	$	10,000,000
Issuance of new loan		1,000,000
Repayments		(699,537)
Interest		618,279
Change in fair value		536,868
Balance at September 30, 2023	$	**11,455,610**

24. CONTINGENCIES

As at September 30, 2023 the Company has no known contingencies.

25. SUBSEQUENT EVENTS

- On September 11, 2023, the Company granted 200,000 stock options to the CFO of the Company, which expire on September 11, 2033.
- Subsequent to September 30, 2023, 21,859,448 warrants were expired and 272,000 stock options were cancelled.
- Subsequent to September 30, 2023, the Company issued an aggregate of 38,573 subordinate voting shares upon settlement of 56,250 restricted share units, which were settled for a combination of subordinate voting shares and cash equivalent to the amount the Company was permitted to withhold under the Company's restricted share unit plan for the remittance of tax related to the settlement of such restricted share units.
- On October 2, 2023, the Company announced a letter of intent with the members of the Big Perm's Dispensary Ohio, LLC to acquire two dispensaries in the State of Ohio, as well as all licenses and assets related to the business of such dispensaries, for aggregate consideration of approximately $9.8 million, subject to adjustment in certain circumstance (the "Big Perm's Acquisition").
- On October 4, 2023, the Company announced the completion of the acquisition of Appalachian Pharm Processing, LLC.
- On October 12, 2023, the Company announced the closing of a private placement financing of 67,647,058 subordinate voting shares, including full exercise of over-allotment option, at a price of $0.17 per share for aggregate gross proceeds of $11.5 million. In connection with such private placement, the Company entered into a shareholders agreement (the "Shareholders Agreement") with certain management shareholders and other subscribers under the private placement (collectively, the "Subject Shareholders"), pursuant to which the Company and the Subject Shareholders agreed to a number of rights and restrictions applicable to the Company and the Subject Shareholders.
- On October 16, 2023, the Company announced the definitive agreement with respect to the Big Perm's Acquisition.
- On October 18, 2023, the Company announced the definitive agreement to sell its cultivation facility located in Prescott Valley, Arizona.
- On October 31, 2023, the Company granted 25,000 RSUs to the CFO of the Company, which vest immediately and will expire on October 31, 2026.
- On November 7, 2023, voters in the state of Ohio approved Issue 2, the Marijuana Legalization Initiative, which will make Ohio the 24th state in the United States to legalize adult-use cannabis.
- On November 16, 2023, the Company announced the closing of the sale of the Prescott Valley cultivation facility.
- During November 2023, the Company commenced cultivation operations at the Eloy, Arizona cultivation facility.