



Vext Science, Inc.

Condensed Consolidated Interim Financial Statements

June 30, 2024 and 2023

(Expressed in U.S. Dollars)

(Unaudited)

Vext Science, Inc.

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

	Notes	June 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash		\$ 3,389,738	\$ 8,720,132
Amounts receivable, net	4	1,337,008	1,260,551
Inventory	5	12,081,329	12,239,959
Biological assets	11	1,491,553	1,017,836
Prepaid expenses, deposits, and other receivables	6	6,240,134	5,982,500
Notes receivable – current	7	1,930,067	6,689,325
Loans to joint operation	10	596,608	470,835
Purchase option	21	—	4,903,211
Total current assets		27,066,437	41,284,349
Non-current assets			
Property, plant and equipment	12	38,710,130	38,542,792
Investment in joint ventures	9	1,536,282	1,714,068
Right-of-use asset	16	2,977,978	2,626,104
Due from related party	17	1,337,480	1,328,383
Intangible assets	13	68,111,406	61,992,346
Goodwill	13	5,135,153	2,069,268
Deferred tax asset		2,496	2,496
Total Assets		\$ 144,877,362	\$ 149,559,806
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accrued liabilities	14	\$ 8,985,667	\$ 6,761,764
Due to related parties	17	711,048	961,655
Notes payable – current portion	15	6,787,177	5,787,177
Lease liability – current portion	16	629,056	470,881
Total current liabilities		17,112,948	13,981,477
Long-term liabilities			
Notes payable – non-current portion	15	28,494,870	30,054,393
Lease liability – non-current portion	16	2,547,851	2,284,293
Deferred tax liabilities		9,722,862	8,257,368
Total liabilities		57,878,531	54,577,531
Shareholders' equity			
Subordinated and multiple voting shares	18	53,122,660	48,207,763
Shares to be issued		—	4,847,609
Reserves		4,523,855	4,344,211
Accumulated other comprehensive income (loss)		2,355,035	(138,036)
Retained earnings		26,997,281	37,720,728
Total shareholders' equity		86,998,831	94,982,275
Total liabilities and shareholders' equity		\$ 144,877,362	\$ 149,559,806

Approved on August 19, 2024 by the Board of Directors:

“*Jason T. Nguyen*” _____, Director

“*Eric J. Offenberger*” _____, Director

VEXT SCIENCE, INC.
Condensed Consolidated Statement of Operations and Comprehensive Income (Loss)

(Expressed in U.S. Dollars)

	Notes	For the Three Months Ended		For the Six Months Ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Sales		\$ 8,426,928	\$ 9,187,122	\$ 16,816,951	\$ 18,297,772
Cost of Goods Sold	5	6,645,433	6,397,600	13,096,659	10,866,159
Gross Profit before fair value adjustments		1,781,495	2,789,522	3,720,292	7,431,613
Unrealized gain in fair value of biological assets	11	(1,106,438)	(1,049,856)	(1,880,293)	(2,113,772)
Realized loss in fair value of inventory sold	11	1,333,941	1,169,658	2,712,778	2,173,951
Gross Profit		1,553,992	2,669,720	2,887,807	7,371,434
Operating Expenses					
Amortization	13,16	2,169,066	981,070	4,041,600	1,962,140
Depreciation	12	130,954	110,907	255,816	218,941
Share-based compensation	18	233,868	68,862	246,933	199,194
Salaries, wages, and commissions		1,214,730	(289,993)	2,436,362	1,327,851
General and administrative		1,565,261	1,121,683	2,903,856	2,126,770
Total Operating Expenses		5,313,879	1,992,529	9,884,567	5,834,896
Other Income (Expense)					
Accretion on debt		—	6,004	—	12,030
Share of loss in joint ventures	9	(118,370)	(13,854)	(281,286)	(105,059)
Disposal of assets loss	12	—	—	(1,444)	—
Change in fair value of debt	21	104,150	(263,829)	(356,720)	(1,242,298)
Change in fair value of purchase option	21	—	—	(2,022,211)	—
Foreign exchange gain/(loss)		910	(310)	1,469	(3,037)
Interest expense		(850,855)	(1,038,831)	(1,740,988)	(1,900,019)
Interest income		49,023	28,019	138,475	28,230
Miscellaneous income		57,750	—	68,250	—
Total other expense		(757,392)	(1,282,801)	(4,194,455)	(3,210,153)
Net (loss) before tax		(4,517,279)	(605,610)	(11,191,215)	(1,673,615)
Income tax recovery		127,244	1,141,064	467,767	2,282,128
Net income (loss) after taxes		\$ (4,390,035)	\$ 535,454	\$ (10,723,448)	\$ 608,513
Other comprehensive income					
Remeasurement of financial liabilities measured at fair value through profit or loss		2,493,071	—	2,493,071	—
Total comprehensive income (loss)		\$ (1,896,964)	\$ 535,454	\$ (8,230,377)	\$ 608,513
Basic earnings (loss) per subordinate voting share		\$ (0.01)	\$ —	\$ (0.03)	\$ —
Diluted earnings (loss) per subordinate voting share		\$ (0.01)	\$ —	\$ (0.03)	\$ —
Weighted average number of subordinate voting shares outstanding – basic		245,450,566	149,729,061	235,290,937	149,504,980
Weighted average number of subordinate voting shares outstanding – diluted		245,450,566	150,098,719	235,290,937	149,774,234

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

VEXT SCIENCE, INC.
Condensed Consolidated Statement of Changes in Shareholders' Equity

(Expressed in U.S. Dollars)

	Share Capital						Reserves: Compensatory Warrants	Reserves: Stock Options	Reserves: RSU	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholder's Equity
	Number of Subordinated Voting Shares	Amount: Subordinated Voting Shares	Share capital - Shares to be issued	Number of Multiple Voting Shares	Amount: Multiple Voting Shares							
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	—	—	—	—	—	—	144,037	55,157	—	—	199,194	
Shares issued from RSUs exercised	796,753	271,713	—	—	—	—	—	(271,713)	—	—	—	
Net income for the period	—	—	—	—	—	—	—	—	—	608,513	608,513	
Balance at June 30, 2023	82,485,279	\$ 32,811,206	\$ —	672,747	\$ 1,934,241	\$ 1,781,967	\$ 2,006,730	\$ 399,327	\$ (138,036)	\$ 33,930,794	\$ 72,726,229	
Balance at December 31, 2023	150,209,109	\$ 46,273,522	\$ 4,847,609	672,747	\$ 1,934,241	\$ 1,781,967	\$ 2,129,011	\$ 433,233	\$ (138,036)	\$ 37,720,728	\$ 94,982,275	
Share-based compensation	—	—	—	—	—	—	40,154	206,779	—	—	246,933	
Shares issued from RSUs exercised	266,132	67,288	—	—	—	—	—	(67,288)	—	—	—	
Shares issued from debenture conversion	27,700,625	—	—	—	—	—	—	—	—	—	—	
Share capital - Shares to be issued	—	4,847,609	(4,847,609)	—	—	—	—	—	—	—	—	
Other comprehensive income for the period	—	—	—	—	—	—	—	—	2,493,071	—	2,493,071	
Net loss for the period	—	—	—	—	—	—	—	—	—	(10,723,448)	(10,723,448)	
Balance at June 30, 2024	178,175,866	\$ 51,188,419	\$ —	672,747	\$ 1,934,241	\$ 1,781,967	\$ 2,169,165	\$ 572,724	\$ 2,355,035	\$ 26,997,280	\$ 86,998,831	

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

VEXT SCIENCE, INC.

Condensed Consolidated Statement of Cash Flows

(Expressed in U.S. Dollars)

	For the period ended June 30, 2024	For the period ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	\$ (10,723,448)	\$ 608,513
Items not affecting cash:		
Unrealized change in fair value of biological assets	(1,880,293)	(2,113,772)
Realized change in fair value of inventory sold	2,712,778	2,173,951
Amortization	4,040,405	1,962,140
Depreciation	3,432,564	1,742,675
Share-based compensation	246,933	199,194
Accretion on leases and debt	—	(12,030)
Share of loss on joint ventures	281,286	105,059
Disposal of assets gain/(loss)	1,697	—
Change in fair value long term debt	460,870	433,546
Change in fair value of purchase option	2,022,211	—
Deferred tax liabilities	(599,017)	(2,228,980)
Debt transaction costs	—	742,036
Deferred Tax Expense	—	(53,148)
Amortized debt transaction costs	44,286	160,091
Other income	(9,098)	—
Expensed construction in progress	87,792	—
Non-cash working capital item changes:		
Amounts receivable	(76,457)	(555,481)
Biological asset (capitalized costs)	(4,125,298)	(2,889,569)
Inventory	3,413,764	3,072,485
Prepaid expenses, deposits, and other receivables	(347,101)	939,590
Payables and accrued liabilities	783,745	(837,417)
Reduction in Due to Related Parties	(250,608)	—
Net cash (used) in operating activities	\$ (482,989)	\$ 3,448,883
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from acquisition, net of cash paid - dispensary	\$ (2,791,780)	\$ 8,695
Loan to joint operations	(125,773)	(90,998)
Deposits on Ohio Acquisition	(286,703)	—
Notes receivable issued	(234,882)	(1,350,334)
Investment in joint ventures	(103,500)	(90,900)
Acquisition of property, plant and equipment	(679,216)	(1,436,123)
Net cash (used) in investing activities	\$ (4,221,854)	\$ (2,959,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payable due from Ohio ventures	—	1,000,000
Loan payable Big Perm acquisition (payments)	\$ (95,340)	\$ —
Loan payable Ohio acquisition (payments)	—	(2,500,000)
Loan costs (payments) proceeds	(738,742)	(650,175)
Notes payable (payments) proceeds	(512,661)	84,438
Standby Facility (LOC)	1,000,000	—
Promissory Note (payments) proceeds	(20,200)	—
Reduction in lease liability	(258,608)	(77,194)
Net cash (used) in financing activities	\$ (625,551)	\$ (2,142,931)
Net change in cash during the period	\$ (5,330,394)	\$ (1,653,708)
Cash, beginning of the period	8,720,132	5,933,837
Cash, end of the period	\$ 3,389,738	\$ 4,280,129
Cash paid for		
Interest	\$ (1,740,988)	\$ (1,900,019)
Non-cash investing and financing activities		
Property, plant & equipment received to settle note receivable Ohio	\$ —	\$ 10,401,853
Acquisition of entities in exchange for receivables & notes due from seller (Note 8)	\$ 8,096,415	\$ —

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

VEXT SCIENCE, INC.

Notes to Condensed Consolidated Interim Financial Statements

June 30, 2024

(Expressed in U.S. Dollars)

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 February 29, 2024, the Company has successfully acquired complete ownership of cultivation, manufacturing, and two (2) dispensaries in Ohio. Furthermore, a binding Letter of Intent (LOI) is in place to procure 100% ownership of two (2) 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 head office is located at 4152 N. 39th Ave, Phoenix, Arizona 85019.

In Arizona, the 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 cultivation and manufacturing operations are licensed and branded as Appalachian Pharms Cultivation and Appalachian Pharm Processing. The Ohio dispensaries operate under the Herbal Wellness Center brand.

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, 2023.

b. Basis of Preparation

These consolidated financial statements have been prepared on the going concern basis, under historical cost, except for certain financial instruments classified as fair value through profit or loss and biological assets that are measured at fair value less costs to sell. The financial statements, unless otherwise specified, are presented in United States ("U.S.") dollars.

c. 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.

2. BASIS OF PRESENTATION (CONTINUED...)

Entities as of June 30, 2024, the Company’s subsidiaries and affiliates are listed below.

Name	Jurisdiction	Ownership
Vext Science, Inc.	BC, Canada	
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%
ReVibe Cannabis, LLC	Arizona, USA	100%
New Gen RE Kentucky LLC	Kentucky, USA	100%
New Gen Ohio, LLC	Ohio, USA	100%
New Gen Ohio Real Estate, LLC	Ohio, USA	100%
New Gen Athens, LLC	Ohio, USA	100%
New Gen Columbus, LLC	Ohio, USA	100%
Jackson Pharm, LLC dba Herbal Wellness Center Ohio Jackson	Ohio, USA	100%
Appalachian Pharms Processing, LLC	Ohio, USA	100%
Appalachian Pharms Products, LLC	Ohio, USA	100%
APP 1803, LLC dba Herbal Wellness Center Ohio Columbus	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%

d. Approval of the Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements for three and six months ended June 30, 2024 and 2023 were approved and authorized for issue by the Board of Directors on August 19, 2024.

e. Foreign currency

Functional and presentation currency

These consolidated financial statements are presented in US dollars (“USD”). The Company’s functional currency is the Canadian dollar, while the functional currency of the subsidiaries has been determined to be USD.

VEXT SCIENCE, INC.

Notes to Condensed Consolidated Interim Financial Statements

June 30, 2024

(Expressed in U.S. Dollars)

2. BASIS OF PRESENTATION (CONTINUED...)

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 USD, at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD 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.

f. Significant Accounting Judgements and Estimates

In preparing these condensed consolidated interim 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 expenses. 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, 2023.

3. MATERIAL ACCOUNTING POLICIES

New standards and interpretations

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.

Standards not yet adopted

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which is intended to give investors more transparent and comparable information about companies' financial performance, thereby enabling better investment decisions. It will affect all companies using IFRS Accounting Standards. IFRS 18 introduces new sets of requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies through:

- Improved comparability in the statement of profit or loss or income statement
- Enhanced transparency of management-defined performance measures; and
- More useful grouping of information in the financial statements.

IFRS 18 also requires companies to provide more transparency about operating expenses, helping investors to find and understand the information they need. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, but companies can apply it earlier. IFRS 18 replaces IAS 1. It carries forward many requirements from IAS 1 unchanged. The Company will assess the impact of adoption of IFRS 18 on its financial statements.

4. AMOUNTS RECEIVABLE

The Company's amounts receivable consists of the following:

	June 30, 2024	December 31, 2023
Amounts receivable	\$ 1,755,398	\$ 1,683,648
Allowance for credit losses	(465,583)	(465,583)
GST input tax credits	47,193	42,486
Total Amounts Receivable	\$ 1,337,008	\$ 1,260,551

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:

	June 30, 2024	December 31, 2023
Work in Process		
Capitalized Cost	\$ 711,086	\$ 332,321
Fair Value Adjustment	251,660	994,278
Carrying Value	\$ 962,746	\$ 1,326,599
Finished Goods		
Capitalized Cost	\$ 10,353,592	\$ 10,751,929
Fair Value Adjustment	764,991	161,431
Carrying Value	\$ 11,118,583	\$ 10,913,360
Total	\$ 12,081,329	\$ 12,239,959

For the three and six months ended June 30, 2024, the Company recognized \$13,096,659 and \$6,645,433 of inventory expensed to cost of goods sold, respectively (three and six months ended June 30, 2023 - \$10,866,159 and \$6,397,600, respectively).

VEXT SCIENCE, INC.

Notes to Condensed Consolidated Interim Financial Statements

June 30, 2024

(Expressed in U.S. Dollars)

6. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

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

	June 30, 2024	December 31, 2023
Vendor deposits	\$ 383,291	\$ 173,643
Deposit on Big Perm Dispensaries ⁽¹⁾	5,238,179	5,351,476
Prepaid Expense/Insurance/Maintenance	551,721	428,888
Security deposits	66,943	28,493
Total prepaid expenses, deposits, and other receivables	\$ 6,240,134	\$ 5,982,500

⁽¹⁾ As at June 30, 2024, \$5,238,179 was paid as a deposit on the Ohio dispensaries, Big Perm, to be renamed Herbal Wellness Center Jeffersonville and Herbal Wellness Center Athens in Ohio awaiting the transfer of the licenses by the State of Ohio projected end of 2024 (the "Ohio Expansion Transaction").

Of the \$5,238,179 deposit as at June 30, 2024, \$2.7 million was an advance payment of the purchase price, \$2.0 million was advanced for construction costs related to the dispensaries and \$0.5 million was advanced for capital expenditures and working capital needs with the dispensaries. A previously paid \$0.4 million was allocated as part of the cash payment for the purchase of property in Athens, Ohio (Note 15).

Pursuant to an amendment executed by the parties on June 14, 2024, the consideration for the Ohio Expansion Transaction was reduced from \$9.4 million to \$7.7 million. The Company will pay cash consideration equal to \$7.7 million in aggregate, subject to adjustments in certain circumstances, including, but not limited to, amounts funded, or liabilities assumed, by the Company pursuant to the Loan (as defined below) or for construction costs, and inventory adjustments.

Subject to regulatory approval by the Ohio Board of Pharmacy, the Company will fund approximately \$3.4 million of construction costs related to the dispensaries. In addition, the Company will provide after regulatory approval certain administrative, operational and support services to Big Perm, in compliance with the State of Ohio rules and regulations with respect to medical marijuana, and has agreed to loan up to \$3.0 million (the "Loan") to Big Perm for capital expenditures and working capital needs associated with the dispensaries (Note 7). The Ohio Expansion Transaction remains subject to regulatory approvals and other customary conditions precedent.

VEXT SCIENCE, INC.
Notes to Condensed Consolidated Interim Financial Statements
June 30, 2024
(Expressed in U.S. Dollars)

7. NOTES RECEIVABLE

As at June 30, 2024, the Company's notes receivable consist of the following:

	Current	Non-current	Total
Due from Rinse Repeat Ventures, an arm's length party, accruing interest at 0% per annum	\$ 370,821	\$ —	\$ 370,821
Deposit on Jeffersonville Ohio Dispensary, an arm's length party, accruing interest at 0% per annum	33,647	—	33,647
Deposit on Athens Ohio Dispensary, an arm's length party, accruing interest at 0% per annum	61,693	—	61,693
Due from Green Goblin, an arm's length party, accruing interest at 0% per annum	1,247,453	—	1,247,453
Allowance for Credit Loss - Green Goblin	(664,289)	—	(664,289)
Due from Vapen Oklahoma, an arm's length party, accruing interest at 0% per annum	491,163	—	491,163
Due from Vapen Kentucky, an arm's length party, accruing interest at 0% per annum	389,579	—	389,579
Total	\$ 1,930,067	\$ —	\$ 1,930,067

As at December 31, 2023, the Company's notes receivables consisted of the following:

	Current	Non-current	Total
Due from CannAscend (acquisition cost of new dispensary and license), an arm's length party, accruing interest at 10% per annum ⁽¹⁾	\$ 4,891,292	\$ —	\$ 4,891,292
Due from Rinse Repeat Ventures, an arm's length party, accruing interest at 0% per annum	481,028	—	481,028
Due from Green Goblin, an arm's length party, accruing interest at 0% per annum	1,193,454	—	1,193,454
Allowance for Credit Loss - Green Goblin	(664,289)	—	(664,289)
Due from Vapen Oklahoma, an arm's length party, accruing interest at 0% per annum	455,538	—	455,538
Due from Vapen Kentucky, an arm's length party, accruing interest at 0% per annum	332,302	—	332,302
Total	\$ 6,689,325	\$ —	\$ 6,689,325

⁽¹⁾ On March 30, 2020, the Company's wholly owned subsidiary, Vapen, LLC ("Vapen"), entered into a non-binding letter of intent (the "LOI") and 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 APP 1803, LLC (APP1803) to acquire an option for a dispensary license in Ohio (CannAscend). Through a subsidiary, the Company has a 50% economic interest and a 48% ownership of the license. The Company's total contribution for the option was \$4,836,292 plus accrued interest of \$164,066. This receivable was converted as due from APP1803 to due from CannAscend in October 2023 when APP 1803 was acquired (Note 8).

VEXT SCIENCE, INC.
Notes to Condensed Consolidated Interim Financial Statements
June 30, 2024
(Expressed in U.S. Dollars)

7. NOTES RECEIVABLE (CONTINUED...)

As at June 30, 2024, and December 31, 2023, the Company's notes receivables related to Ohio consist of the following by location:

APP 1803, LLC	December 31, 2022		December 31, 2023		June 30, 2024
		Activity		Activity	
Contributions	\$ 4,000,000	\$ (4,000,000)	\$ —	\$ —	\$ —
Working Capital	836,292	(836,292)	—	—	—
Deposit for License	70,000	(70,000)	—	—	—
Total APP 1803, LLC	4,906,292	(4,906,292)	—	—	—
APP 1804, LLC					
Deposit for License	110,000	(110,000)	—	—	—
Total APP 1804, LLC	110,000	(110,000)	—	—	—
APP Pharms, LLC					
Forgive Amounts Receivable	1,007,301	(1,007,301)	—	—	—
Reimburse Expenses	656,685	(656,685)	—	—	—
Working Capital	1,657,259	(1,657,259)	—	—	—
Working Capital - Build Out*	9,650,000	(9,650,000)	—	—	—
Total APP Pharms, LLC	12,971,245	(12,971,245)	—	—	—
CannAscend LLC					
Note Receivable due to acquisition	—	4,891,292	4,891,292	(4,891,292)	—
Total CannAscend LLC	—	4,891,292	4,891,292	(4,891,292)	—
Big Perm, LLC					
Working Capital - Jeffersonville	—	—	—	33,647	33,647
Working Capital - Athens	—	—	—	61,693	61,693
Total Big Perm LLC	—	—	—	95,340	95,340
Total	\$ 17,987,537	\$ (13,096,245)	\$ 4,891,292	\$ (4,795,952)	\$ 95,340

VEXT SCIENCE, INC.

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8. OHIO ACQUISITIONS**Jackson Pharm, LLC dba Herbal Wellness Center Ohio Jackson**

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 retail storefront in Ohio creating a 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 \$6,787,156, which consisted of cash consideration of \$6,097,156 and cash held in escrow of \$690,000. These funds were held as a deposit at December 31, 2022, until 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	101,716
Prepaid expenses	1,780
Property and equipment	259,509
Right-of-use assets	212,131
Dispensary license	5,489,000
Brand	597,000
Lease liabilities	(212,131)
Deferred tax liability	(1,278,060)
Total identifiable net assets acquired	5,179,640
Goodwill arising on acquisition	1,607,516
Total net assets acquired	\$ 6,787,156
Consideration	
Cash	\$ 6,097,156
Cash held in escrow	690,000
Total consideration	\$ 6,787,156

The excess of purchase price over net identifiable assets acquired, and the liabilities assumed resulted in goodwill of \$1,607,516, 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 \$1,278,060 in deferred income taxes from the acquisition.

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8. OHIO ACQUISITIONS (CONTINUED...)**Appalachian Pharm Entities**

On October 3, 2023, the Company acquired the remaining outstanding equity interests of APP1803, as well as 100% of the outstanding equity interests of Appalachian Pharm Processing, LLC and Appalachian Pharm Products, LLC (collectively, the “Acquired Companies”), Ohio based companies. The acquisition is a business combination accounted for using the acquisition method in accordance with IFRS 3, Business Combinations (“IFRS 3”).

The addition of the Acquired Companies gives the Company access to processing and cultivation licenses in Ohio to further strengthen its position in the state. The Company acquired the Acquired Companies for a total purchase price of \$27,748,772, which consisted of cash consideration of \$2,000,000, shares of \$1,936,399 and promissory notes of \$8,418,869 as well as non-cash consideration as outlined below. As the Company had pre-existing investments in Appalachian Pharm Processing, LLC, and APP1803, the acquisition of these entities was accounted for as step acquisitions whereby the Company is deemed to dispose of its existing interests at their fair value which is included in consideration transferred. A gain on acquisition of control of \$3,480,118 was recognized as the difference between the carrying value of the investments of \$7,391,018 and their fair value of \$10,871,136. During the year ended, December 31, 2023, the Company recorded \$2,021,969 related to its share of income related to these investments. Pre-existing relationships in the form notes receivable and other loans were settled as part of the acquisition and were included in the consideration transferred.

The acquisition was completed at a favorable price due to a strategic alignment between the anticipated future growth of the adult-use market, which at the time of negotiation in 2022 was not anticipated being on the November 2023 ballot and being implemented in 2024.

The transaction can be summarized as follows:

	October 3, 2023
Net assets acquired	
Cash	\$ 161,790
Accounts receivable	613,985
Notes receivable	4,891,293
Biological assets	908,018
Inventory	2,992,078
Prepaid expenses	282,754
Property and equipment	864,725
Right-of-use assets	1,848,862
Cultivation license	22,149,000
Processing license	8,399,000
Customer relationships	2,143,000
Purchase Option to acquire CannAscend	7,536,995
Accounts payable	(846,423)
Lease liabilities	(1,848,862)
Deferred income tax liability	(7,299,368)
Total identifiable net assets acquired (a)	\$ 42,796,847
Consideration	
Cash	\$ 2,000,000
Promissory notes	8,418,869
Shares consideration	1,936,399
Settlement of pre-existing relationship	4,522,368
Fair value of pre-existing investment	10,871,136
Total consideration (b)	\$ 27,748,772
Gain on bargain purchase (b) - (a)	(15,048,075)
Gain on acquisition of control	(3,480,118)
Share of income from investments	(2,021,970)
Net benefit related to acquisition	\$ (20,550,163)

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8. OHIO ACQUISITIONS (CONTINUED...)**Appalachian Pharm Entities (continued)**

On February 29, 2024, The Company completed the acquisition (the "Acquisition") of CannAscend Ohio Columbus, LLC ("CannAscend") which included a cannabis dispensary in Columbus, Ohio (the "Columbus Dispensary"), as part of the previously disclosed acquisition of Appalachian Pharm Processing, LLC, together with its subsidiaries and affiliated companies. As part of the closing, Vext paid cash consideration of \$2,880,317 and also agreed to pay to the seller \$125,939 for the pre-closing tax liability of the Columbus Dispensary. The consideration paid also includes the fair value of purchase option acquired by the Company on October 3, 2023 at February 29, 2024 as well as the settlement of pre-existing relationships.

	February 29, 2024	
Net assets acquired		
Cash	\$	88,538
Inventory		436,036
Prepaid expenses		23,831
Property and equipment		910,175
Right-of-use assets		666,394
Lease liability		(666,394)
Accounts payable		(395,946)
Due to Foremost RE, LLC		(918,273)
Dispensary license		9,831,000
Deferred tax liability		(2,064,510)
Total identifiable net assets acquired (a)	\$	7,910,851
Consideration		
Cash	\$	2,880,317
Settlement of pre-existing relationship		5,089,480
Payable to seller		125,939
Fair value of purchase option		2,881,000
Total consideration (b)		10,976,736
Goodwill and other intangible assets (b-a)	\$	3,065,885

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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%. 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 company has a 50% economic interest in the venture until the working capital loan is repaid. The terms of the initial joint venture will be five years, with automatic successive renewal terms of additional five-year periods each. The working capital loan is interest free.

As at June 30, 2024 and December 31, 2023, the balance of investments is comprised of the following:

	Vapen KY	Vapen OK	Total
Balance as at December 31, 2022	\$ 727,342	\$ 1,031,377	\$ 1,758,719
Contributions (repayments)	105,901	(63,001)	42,900
Share of income (loss) of the joint ventures during the year	(273,416)	185,865	(87,551)
Balance as at December 31, 2023	559,827	1,154,241	1,714,068
Contributions (repayments)	103,500	—	103,500
Share of (loss) of the joint ventures during the period	(148,710)	(132,576)	(281,286)
Balance as at June 30, 2024	\$ 514,617	\$ 1,021,665	\$ 1,536,282

Summarized financial information for equity accounted investees for the three months ended June 30, 2024, is as follows:

	Vapen KY	Vapen OK	Total
Ownership %	50%	25%	
Total current assets	\$ 1,162,330	\$ 829,007	\$ 1,991,337
Non-current assets	5,507	125,004	130,511
Total Assets	1,167,837	954,011	2,121,848
Total liabilities	3,953,404	3,069,400	7,022,804
Net Assets	(2,785,567)	(2,115,389)	(4,900,956)
Revenue	19,168	247,746	266,914
Cost of Goods Sold	83,178	363,452	446,630
Total Expenses	18,503	38,520	57,023
Net (loss)	(82,513)	(154,226)	(236,739)
The Company's equity share of income (loss) in joint ventures	\$ (41,257)	\$ (77,113)	\$ (118,370)

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10. LOANS TO JOINT OPERATION**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 and the Company will account for 50% of Happy Travel’s assets, liabilities, revenue and expenses in the Company’s financials.

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

As at June 30, 2024, the Company had the following loans to operations:

	June 30, 2024	December 31, 2023
Happy Travels, LLC.	\$ 799,325	\$ 694,290
Green Goblin, LLC.	386,370	365,632
Allowance for Credit Losses Joint Operations	(589,087)	(589,087)
Total	\$ 596,608	\$ 470,835

11. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance, December 31, 2023	\$ 1,017,836
Capitalized costs	4,125,298
Change in fair value less costs to sell due to biological transformation	1,880,292
Transferred into inventory upon harvest	(5,531,873)
Balance at June 30, 2024	\$ 1,491,553

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	June 30, 2024	December 31, 2023
Average selling price per gram of flower	\$ 2.42	\$ 2.87
Weighted average yield of flower per plant (in grams)	57.75	54.35

Effect on fair value

Sensitivity	June 30, 2024	December 31, 2023
Increase or decrease by \$0.50 per gram	\$ 154,708	\$ 168,388
Increase or decrease by \$0.10 per gram	\$ 29,056	\$ 27,790
Increase or decrease of yield by 10%	\$ 149,155	\$ 101,784

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

	June 30, 2024	December 31, 2023
Total expected yield (in grams)	1,208,714	954,456

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:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Unrealized change in fair value of biological assets	1,106,438	1,049,856	1,880,293	2,113,772
Realized change in fair value on inventory sold in the period	(1,333,941)	(1,169,658)	(2,712,778)	(2,173,951)
Net effect of changes in fair value of biological assets and inventory	\$ (227,503)	\$ (119,802)	\$ (832,485)	\$ (60,179)

As at June 30, 2024, the Company had 15,670 (December 31, 2023 - 10,940) plants in cultivation with 0 (December 31, 2023 - 1,888) plants greater than 80% grown; 2,356 (December 31, 2023 - 1,474) plants between 60% and 80% grown; and 13,314 (December 31, 2023 - 7,578) 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.

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Equipment and machinery	Building improvements	Leasehold improvements	Construction in progress	Automobile	Total
Cost								
Balance at December 31, 2022	\$ 2,610,779	\$ 10,675,606	\$ 13,966,408	\$ 7,378,905	\$ 1,024,678	\$ 9,531,099	\$ 267,009	\$ 45,454,484
Disposals	(790,000)	(3,160,000)	(2,234,992)	(1,127,697)	—	—	(100,976)	(7,413,665)
Additions	—	—	3,406,137	759,437	7,297,260	924,229	—	12,387,063
Additions from CIP	—	—	3,350,078	6,662,446	73,119	(10,085,643)	—	—
Additions from acquisition (Note 8)	—	40,235	149,585	—	891,914	—	42,500	1,124,234
Balance at December 31, 2023	\$ 1,820,779	\$ 7,555,841	\$ 18,637,216	\$ 13,673,091	\$ 9,286,971	\$ 369,685	\$ 208,533	\$ 51,552,116
Disposals	—	(279,945)	(614,415)	(1,526,230)	—	(88,045)	(6,225)	(2,514,860)
Additions	772,496	1,847,599	89,523	23,657	37,941	8,000	—	2,779,216
Additions from acquisition (Note 8)	—	—	935	—	909,240	—	—	910,175
Balance at June 30, 2024	\$ 2,593,275	\$ 9,123,495	\$ 18,113,259	\$ 12,170,518	\$ 10,234,152	\$ 289,640	\$ 202,308	\$ 52,726,647
Accumulated Amortization								
Balance at December 31, 2022	\$ —	\$ 841,241	\$ 4,616,676	\$ 3,977,303	\$ 247,276	\$ —	\$ 121,333	\$ 9,803,829
Disposals	—	(199,207)	(1,026,635)	(233,588)	—	—	(73,180)	(1,532,610)
Depreciation	—	265,773	2,288,754	1,147,375	991,343	—	44,860	4,738,105
Balance at December 31, 2023	\$ —	\$ 907,807	\$ 5,878,795	\$ 4,891,090	\$ 1,238,619	\$ —	\$ 93,013	\$ 13,009,324
Disposals	—	(279,945)	(612,971)	(1,526,230)	—	—	(6,225)	(2,425,371)
Depreciation	—	120,085	1,294,774	1,122,943	888,704	—	6,058	3,432,564
Balance at June 30, 2024	\$ —	\$ 747,947	\$ 6,560,598	\$ 4,487,803	\$ 2,127,323	\$ —	\$ 92,846	\$ 14,016,517
Net Book Value								
December 31, 2022	\$ 2,610,779	\$ 9,834,365	\$ 9,349,732	\$ 3,401,602	\$ 777,402	\$ 9,531,099	\$ 145,676	\$ 35,650,655
December 31, 2023	\$ 1,820,779	\$ 6,648,034	\$ 12,758,421	\$ 8,782,001	\$ 8,048,352	\$ 369,685	\$ 115,520	\$ 38,542,792
Balance at June 30, 2024	\$ 2,593,275	\$ 8,375,548	\$ 11,552,661	\$ 7,682,715	\$ 8,106,829	\$ 289,640	\$ 109,462	\$ 38,710,130

Additions during the six months ended June 30, 2024 were the assets of one acquisition on February 29, 2024 (Note 8). Additions during the year ended December 31, 2023 were the assets of one acquisition on January 2, 2023 and two acquisitions on October 3, 2023 (Note 8).

Disposals during the three and six months ended June 30, 2024 of \$89,490 NBV were driven by expensing certain construction in progress and disposal of sundries. The disposal of the sundries resulted in a loss of (\$1,444). Disposals of \$5,853,259 NBV during the year ended December 31, 2023 were the assets of our Prescott Valley Cultivation (PV) sold on November 16, 2023. The sale of PV resulted in a loss on sale of \$813,246.

Of total depreciation expense during the three and six months ended June 30, 2024 \$1,586,736 and \$3,176,748, respectively was included in the cost of sales (three and six months ended June 30, 2023 was \$768,984 and \$1,523,734, respectively) and \$130,954 and \$255,816, respectively was included in operating expense (three and six months ended June 30, 2023 was \$111,154 and \$218,941, respectively).

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13. INTANGIBLE ASSETS AND GOODWILL

Identifiable intangible assets consist of the following:

Intangible Assets	Balance as at December 31, 2022	Additions	Amortization	Balance as at December 31, 2023	Additions	Amortization	Balance as at June 30, 2024
Firebrand (Brand name)	\$ 120,150	\$ —	\$ (53,400)	\$ 66,750	\$ —	\$ (7,500)	\$ 59,250
Patent	195,000	—	(15,000)	180,000	—	(26,700)	153,300
Dispensary License - Ohio (Note 8)	—	5,489,000	(457,418)	5,031,582	—	(228,708)	4,802,874
Dispensary Licenses - Arizona	23,896,243	—	(2,172,384)	21,723,859	—	(1,086,192)	20,637,667
Brand Name - Ohio (Note 8)	—	597,000	(298,500)	298,500	—	(149,250)	149,250
Brand Name - Arizona	3,334,676	—	(833,669)	2,501,007	—	(416,834)	2,084,173
Customer Relationships - Arizona	292,305	—	(73,076)	219,229	—	(36,538)	182,691
Customer Relationships (Note 8)	—	2,143,000	(103,694)	2,039,306	—	(214,300)	1,825,006
Processing License (Note 8)	—	8,399,000	(169,335)	8,229,665	—	(349,958)	7,879,707
Cultivation License (Note 8)	—	22,149,000	(446,552)	21,702,448	—	(922,877)	20,779,571
Dispensary License - Ohio Columbus (Note 8)	—	—	—	—	9,831,000	(273,083)	9,557,917
Total	\$ 27,838,374	\$ 38,777,000	\$ (4,623,028)	\$ 61,992,346	\$ 9,831,000	\$ (3,711,940)	\$ 68,111,406

On January 2, 2023, the Company completed an acquisition (Note 8) whereby \$6,086,000 of intangible assets were acquired.

On October 3, 2023, the Company completed an acquisition (Note 8) whereby \$32,691,000 of intangible assets were acquired. Impairment testing was performed on these intangible assets and it was determined that these assets were not impaired as at the year end date.

Goodwill	Balance as at December 31, 2022	Additions	Balance as at December 31, 2023	Additions	Balance as at June 30, 2024
Goodwill - Arizona	\$ 461,752	\$ —	\$ 461,752	\$ —	\$ 461,752
Goodwill - Ohio (Note 8)	—	1,607,516	1,607,516	3,065,885	4,673,401
Total	\$ 461,752	\$ 1,607,516	\$ 2,069,268	\$ 3,065,885	\$ 5,135,153

On February 29, 2024, the Company completed an acquisition (Note 8) whereby \$10,931,875 of intangible assets were acquired.

14. PAYABLES AND ACCRUED LIABILITIES

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

	June 30, 2024	December 31, 2023
Trade payables	\$ 3,766,674	\$ 2,042,348
Credit card payable	55,433	24,974
Sales tax payable	346,699	423,511
Income tax payable	3,191,073	3,243,334
Payroll liabilities	635,259	614,679
Accrued liabilities	990,529	412,918
Total Payables and accrued liabilities	\$ 8,985,667	\$ 6,761,764

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15. NOTES PAYABLE

Current notes payable are made up of the following:

	June 30, 2024	December 31, 2023
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
Promissory Note - RDF Acquisition	1,200,000	1,200,000
Promissory Note - App Pharms Products (3)	181,618	181,618
Promissory Note - App Pharms Processing (3)	299,072	299,072
Standby Facility Line of Credit (LOC) (4)	1,000,000	\$ —
Total	\$ 6,787,177	\$ 5,787,177

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

	June 30, 2024	December 31, 2023
Maturing July 15, 2027 with an interest rate of 10% per annum (1)	\$ 9,637,801	\$ 9,732,161
Maturing July 15, 2027 with an interest rate of 10.5% per annum (1)	2,057,127	2,492,232
Maturing December 19, 2032 with an interest rate of 8.75% per annum (2)	8,884,189	10,881,218
Maturing December 19, 2032 with an interest rate of 8.75% per annum (2)	988,853	1,189,022
Promissory Note - RDF Acquisition	308,921	821,582
Promissory Note - App Pharms Products (3)	2,088,610	2,088,609
Promissory Note - App Pharms Processing (3)	2,849,569	2,849,569
Promissory Note - Athens (5)	1,679,800	—
Total	\$ 28,494,870	\$ 30,054,393

(1) On July 8, 2022, the Company completed a financing with East West Bank 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 of \$5,000,000 is subject to an interest rate calculated based on the Wall Street Journal Prime plus a spread of 2.75% (11.25% at June 30, 2024), and are subject to a floor of 6.25%. The second promissory note of \$17,185,000 incurs interest at a fixed rate of 9.59%. Blended payments 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 obtained a waiver on the debt covenants prior to December 31, 2023.

(2) On December 16, 2022, the Company completed a financing with Wright-Patt Credit Union 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 of the Company's 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% (9.4% at June 30, 2024), 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 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.

(3) On January 1, 2023, the Company issued unsecured promissory notes (collectively and, as amended from time to time, the "App Pharms Products and App Pharms Processing Promissory Notes") to (i) the sellers of Appalachian Pharms Products, LLC, in the aggregate principal amount of \$2,270,228 and (ii) the sellers of APP1803, LLC, in the aggregate principal amount of \$3,148,641. The App Pharms Products and App Pharms Processing Promissory Notes have a fixed rate of 8.00%. Blended payments for principal and accrued interest are not due until January 1, 2025. The Company has the right to prepay any or all of the principal balance outstanding at any time.

VEXT SCIENCE, INC.

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15. NOTES PAYABLE (CONTINUED...)

(4) On May 29, 2024, the Company entered into a loan agreement with certain third-party lenders (collectively, the "Lenders"), including Sopica Special Opportunities Fund Limited (and insider of the company), pursuant to which the Company has obtained a standby credit facility in the principal amount of up to \$2 million (the "Standby Credit Facility") to provide additional financial flexibility primarily in connection with the Company's working capital investment and dispensary additions in Ohio. Interest on any drawn portion of the Standby Credit Facility accrues at a rate of 12% per annum. Any undrawn amounts are subject to a monthly standby commitment fee equal to 0.25% of such undrawn amounts. All obligations owing under the Standby Credit Facility will be converted into a term loan on November 28, 2024, repayable over a period of six months and maturing on May 28, 2025.

(5) On April 8, 2024, the Company completed the acquisition (the "Property Acquisition") of real property associated with a cannabis dispensary in Athens, Ohio. As consideration for the Property Acquisition, the Company has paid aggregate consideration of \$2.6 million, consisting of \$0.9 million in cash and the issuance of a promissory note in the principal amount of \$1.7 million (the "Promissory Note"). The Promissory Note bears interest at the rate of 7.0% per annum and is repayable over a period of 10 years, maturing on April 4, 2034.

The Company's notes payable consist of the following:

	December 31, 2022	Cash and Fair Market Value Adjustment Activity	December 31, 2023	Cash and Fair Market Value Adjustment Activity	June 30, 2024
Notes Payable					
Wright-Patt Ohio Loan 1 & 2	\$ 10,003,536	\$ 3,053,276	\$ 13,056,812	\$ (2,197,196)	\$ 10,859,616
Wright-Patt Ohio Loan Closing Costs	(738,024)	738,024	—	—	—
East West Bank Loan 1	17,044,001	(4,927,343)	12,116,658	(172,446)	11,944,212
East West Bank Loan 2	4,661,407	(827,777)	3,833,630	(445,592)	3,388,038
East West Bank Closing Costs Loan 1	(680,123)	145,980	(534,143)	78,086	(456,057)
East West Bank Closing Costs Loan 2	(172,811)	100,973	(71,838)	10,486	(61,352)
Promissory Note - App Pharms Products	—	2,270,228	2,270,228	—	2,270,228
Promissory Note - App Pharms Processing	—	3,148,641	3,148,641	—	3,148,641
Promissory Note - RDF Acquisition	2,398,598	(377,016)	2,021,582	(512,661)	1,508,921
Promissory Note - Athens	—	—	—	1,679,800	1,679,800
Standby Facility Line of Credit (LOC)	—	—	—	1,000,000	1,000,000
Total Notes Payable	\$ 32,516,584	\$ 3,324,986	\$ 35,841,570	\$ (559,523)	\$ 35,282,047

VEXT SCIENCE, INC.

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16. LEASES**Right-of-use asset:**

The ROU asset and lease liability schedules for period ended June 30, 2024 are below:

	AZ Dispensary	AZ Dispensary Parking	Corporate Office	Cultivation Lease	Processing Lease	Jackson, OH Dispensary	Columbus, OH Dispensary	KY Lease	Total
Balance at December 31, 2022	\$ 179,620	\$ 180,817	\$ 436,503	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 796,940
Additions	—	—	—	916,724	932,138	212,131	—	—	2,060,993
Amortization	(59,873)	(60,272)	(8,761)	(61,479)	(27,573)	(13,871)	—	—	(231,829)
Balance at December 31, 2023	\$ 119,747	\$ 120,545	\$ 427,742	\$ 855,245	\$ 904,565	\$ 198,260	\$ —	\$ —	\$ 2,626,104
Additions	—	—	—	—	—	—	666,394	15,140	681,534
Amortization	(29,936)	(30,136)	(38,887)	(122,958)	(55,146)	(6,934)	(44,427)	(1,236)	(329,660)
Balance at June 30, 2024	\$ 89,811	\$ 90,409	\$ 388,855	\$ 732,287	\$ 849,419	\$ 191,326	\$ 621,967	\$ 13,904	\$ 2,977,978

As at January 2, 2023, the Company acquired one new lease when it acquired Herbal Wellness Center Ohio Dispensary, and as at October 3, 2023, the Company acquired two new leases when it acquired Appalachian Pharm entities, the ROU asset and lease liability schedules are below.

As at February 29, 2024, the Company acquired one new lease when it acquired the Columbus Dispensary.

The total amortization expense for three and six months ended June 30, 2024 was included in operating expenses.

VEXT SCIENCE, INC.
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16. LEASES (CONTINUED...)

Lease liability:

Lease liability for the period ended June 30, 2024 and year ended December 31, 2023 were as follows:

	Total
Balance at December 31, 2022	\$ 893,749
January 2, 2023 Additions	212,131
October 2, 2023 Additions	1,848,862
Interest Expense	208,967
Lease payments	(408,535)
Balance at December 31, 2023	\$ 2,755,174
Additions	681,534
Interest Expense	193,513
Lease payments	(453,314)
Balance at June 30, 2024	\$ 3,176,907
Less: current portion	\$ (629,056)
Long-term lease liability	\$ 2,547,851

The following table discloses the undiscounted cash flow for the seven lease obligations remaining at June 30, 2024:

	June 30, 2024
Less than one year	\$ 985,340
One to five years	3,941,358
More than five years	5,008,810
Total undiscounted lease obligations	9,935,508
Less imputed interest	(7,387,657)
Total present lease obligations	\$ 2,547,851

The following table provides a summary of the lease expenses recognized in the statement of operations for the period ended June 30, 2024 and June 30, 2023:

	June 30, 2024	June 30, 2023
Interest expense (included in cost of good sold – property and equipment leasing)	\$ 176,939	\$ 47,689
Interest expense (included in general and admin in operating expenses)	16,574	17,460
Amortization (included in operating expenses)	\$ 329,660	\$ 99,342

17. 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 June 30, 2024 and 2023 is summarized as follows:

	June 30, 2024	June 30, 2023
Share-based compensation	\$ 70,674	\$ 42,619
Salaries and wages included in cost of goods sold	50,078	78,716
Salaries, wages and commissions included in operating expenses	140,738	159,888
Consulting fees included in operating expenses	39,250	31,249
Total	\$ 300,740	\$ 312,472

Remuneration attributed to key management personnel for the six months ended June 30, 2024 and 2023 is summarized as follows:

	June 30, 2024	June 30, 2023
Share-based compensation	\$ 113,701	\$ 104,630
Salaries and wages included in cost of goods sold	107,630	161,737
Salaries, wages and commissions included in operating expenses	304,060	337,523
Consulting fees included in operating expenses	78,500	78,711
Total	\$ 603,891	\$ 682,601

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.

Related Party Relationships:

	June 30, 2024	December 31, 2023
Product Sales		
Vapen Kentucky	\$ —	\$ 54,844
Happy Travel LLC	—	23,725
Vapen Oklahoma - Processing	1,827	137,277
Total	\$ 1,827	\$ 215,846

	June 30, 2024	December 31, 2023
Cash Contributions for Operating Expenses		
Vapen Kentucky	\$ 79,398	\$ 227,664
Happy Travel LLC	150,898	905,425
Vapen Oklahoma - Processing	10,002	1,749
Total	\$ 240,298	\$ 1,134,838

Cash from contributions for operation expenses include cash advances, payroll, health insurance, and other miscellaneous expenses. Amounts are valued at historical cost.

17. RELATED PARTY TRANSACTIONS (CONTINUED...)

Due from related party:

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

	June 30, 2024	December 31, 2023
11.5% interest bearing, due on December 31, 2025 from Jason T. Nguyen, Executive Chairman and Director	\$ 1,337,480	\$ 1,328,383

Effective December 31, 2023, Jason T. Nguyen has transitioned out of his executive positions with the Company, including resigning from all positions with the Company's subsidiaries and affiliates. Mr. Nguyen will continue to serve the Company through his position as a director of the Company and Chairman of the board of directors. Concurrently with Mr. Nguyen's resignation, the Company has amended the terms of the existing promissory note issued by Mr. Nguyen in favour of the Company, in the principal amount of \$1,328,383 (the "Promissory Note"), to provide for, among other things, the following: (i) an extension to the maturity date of the Promissory Note to the earlier of (x) December 31, 2025, (y) the date in which Mr. Nguyen sells any shares of the Company (subject to limited exceptions), and (z) any change of control of the Company; (ii) an increased interest rate equal to 11.5% per annum, compounded quarterly; (iii) quarterly scheduled interest payments; (iv) a mandatory prepayment of no less than 50% of the Promissory Note in the event the volume weighted average trading price of the Subordinate Voting Shares of the Company reaches a specified threshold, enforceable at the discretion of the Company; and (v) the pledge by Mr. Nguyen of all shares of the Company legally or beneficially owned by Mr. Nguyen as security for the obligations of Mr. Nguyen under the Promissory Note.

Due to related parties:

David Johns (General Manager Ohio Operations) was one of the sellers of the App Pharma entities and as such holds a portion of the promissory notes payable for App Pharms Products and App Pharms Processing (Note 15). During the six months ended June 30, 2024, \$29,590, in interest was accrued on these notes payable. Interest begins January 1, 2025. During the six months ended June 30, 2024 and the year ended December 31, 2023, the portion of the promissory notes payable due is as follows:

	June 30, 2024	December 31, 2023
Promissory Note - App Pharms Products (current)	\$ 45,372	\$ 45,372
Promissory Note - App Pharms Processing (current)	16,587	16,587
Total Current Promissory Note Payable (General Manager Ohio Operations)	61,959	61,959
Promissory Note - App Pharms Products (non-current)	521,778	521,778
Promissory Note - App Pharms Processing (non-current)	158,046	158,046
Total Non-current Promissory Note Payable (General Manager Ohio Operations)	679,824	679,824
Total Promissory Note Payable (General Manager Ohio Operations)	\$ 741,783	\$ 741,783
Interest Payable	29,590	—
Total Interest Payable Payable (General Manager Ohio Operations)	\$ 29,590	\$ —

Amounts due to related parties as at June 30, 2024 and December 31, 2023 included the following:

	June 30, 2024	December 31, 2023
Jason T. Nguyen, Executive Chairman	\$ 711,048	\$ 948,314
Mark Opzoomer, Director	—	13,341
Total	\$ 711,048	\$ 961,655

The Company will pay Mr. Nguyen a severance in an aggregate amount equal to \$948,314, equal to 24 months of base compensation with such payments to completed in equal monthly payments.

18. SHARE CAPITAL

(a) Share Capital

The Company is authorized to issue the following shares:

- Unlimited common shares (“Subordinated Voting Shares”) without par value; and
- Unlimited Class A common shares with multiple voting rights (“Multiple Voting Shares”), each convertible into 100 Subordinated Voting Shares.

For the period ended June 30, 2024:

- On March 6, 2024, upon receipt of regulatory approval, the Company completed a debenture conversion transaction. The Company issued to the holders of the non-convertible debentures an aggregate of 27,700,625 subordinate voting shares in full satisfaction of the outstanding \$4.6 million principal amount, together with accrued and unpaid interest up to December 31, 2023 and a 2.5% conversion incentive fee, at a deemed price of \$0.175 per share. In relation to the issuance, the carrying value of \$4,847,609 was allocated from shares to be issued.
- On February 4, 2024, upon the Company completing the acquisition of Appalachian Pharm Processing, LLC, an Ohio limited liability company, together with its subsidiaries and affiliated companies, 8,999,989 subordinate voting shares were released from escrow and were valued at \$1,936,399 (Note 8).
- During the period, the Company issued an aggregate of 266,132 subordinate voting shares upon settlement of 282,158 RSUs, 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.

Fiscal year ended December 31, 2023:

- During the year, the Company issued an aggregate of 873,525 subordinate voting shares upon settlement of 1,934,241 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 12, 2023, the Company closed a private placement financing of 67,647,058 subordinate voting shares 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. In connection with the private placement, the Company paid a cash finder's fee \$3,284.
- On October 3, 2023, upon the Company completing the acquisition of Appalachian Pharm Processing, LLC, an Ohio limited liability company, together with its subsidiaries and affiliated companies. On February 4, 2024, 8,999,989 subordinate voting shares were released from escrow and were valued at \$1,936,399 (Note 8).
- On December 12, 2023, the Company entered into definitive agreements (the "Conversion Agreements") with the holders (the "Debenture holders") of the Company's existing 11.25% secured non-convertible debentures (the "Debentures"), pursuant to which the Debenture holders will convert all of the outstanding \$4.6 million principal amount of Debentures, together with accrued and unpaid interest up to December 31, 2023 and a 2.5% conversion incentive fee of \$129,375, for an aggregate of 27,700,625 subordinate voting shares of the Company (the "Conversion Transaction"). The subordinate voting shares were measured at the carrying amount of the financial liability extinguished. As the Conversion Fee is settled in the Company's subordinate voting shares, it is classified as an equity-settled share-based payment. As at December 31, 2023, the issuance of the shares relating to the Conversion Transaction remained subject to regulatory approval; therefore, 27,700,625 subordinate voting shares were not issued until March 6, 2024 upon receiving regulatory approval and were classified as shares to be issued prior to such issuance.

18. SHARE CAPITAL (CONTINUED...)

(b) Warrants

The following table reflects the continuity of warrants for period ended June 30, 2024:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2022	33,538,337	CAD 0.76
Expired	(21,859,448)	CAD 0.45
Outstanding, December 31, 2023	11,678,889	CAD 1.34
Expired	(11,312,980)	CAD 1.37
Outstanding, June 30, 2024	365,909	CAD 0.50

As at June 30, 2024, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
365,909	CAD 0.50	0.84	May 3, 2025

As at December 31, 2023 the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
1,357,980	CAD 1.12	0.11	February 8, 2024
9,955,000	CAD 1.40	0.11	February 8, 2024
365,909	CAD 0.50	1.34	May 3, 2025
11,678,889	CAD 1.34	0.15	

(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 subordinate voting shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the subordinate voting 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 June 30, 2024 is as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2022	4,736,334	CAD 0.93
Granted	665,000	CAD 0.55
Forfeited	(374,000)	CAD 0.74
Outstanding, December 31, 2023	5,027,334	CAD 0.89
Granted	1,072,000	CAD 0.48
Forfeited	(137,000)	CAD 0.65
Outstanding, June 30, 2024	5,962,334	CAD 0.82

18. SHARE CAPITAL (CONTINUED...)

As at June 30, 2024 the Company had the following stock options outstanding:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Life (years)	Expiry Date
682,000	682,000	CAD 1.00	4.52	January 4, 2029
200,000	200,000	CAD 1.00	4.87	May 13, 2029
833,334	833,334	CAD 0.75	5.87	May 12, 2029
375,000	375,000	CAD 0.75	6.41	November 26, 2030
235,000	235,000	CAD 1.22	6.52	January 31, 2031
500,000	500,000	CAD 1.43	6.64	February 19, 2031
200,000	133,328	CAD 0.58	7.81	April 19, 2032
10,000	6,666	CAD 0.58	7.99	June 23, 2032
1,000,000	1,000,000	CAD 1.00	8.16	August 24, 2032
250,000	250,000	CAD 0.60	8.16	August 24, 2032
125,000	125,000	CAD 0.50	8.48	December 22, 2032
280,000	186,662	CAD 0.50	8.72	March 22, 2033
200,000	150,000	CAD 0.68	9.21	September 11, 2033
1,072,000	357,336	CAD 0.48	9.90	May 24, 2034
5,962,334	5,034,326	CAD 0.82	7.38	

As at December 31, 2023 the Company had the following stock options outstanding:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Life (years)	Expiry Date
50,000	50,000	CAD 0.75	3.19	March 8, 2027
694,000	694,000	CAD 1.00	5.02	January 4, 2029
200,000	200,000	CAD 1.00	5.37	May 13, 2029
833,334	833,334	CAD 0.75	6.37	May 12, 2029
375,000	375,000	CAD 0.75	6.91	November 26, 2030
235,000	235,000	CAD 1.22	7.02	January 31, 2031
500,000	500,000	CAD 1.43	7.14	February 19, 2031
225,000	74,997	CAD 0.58	8.31	April 19, 2032
10,000	3,333	CAD 0.58	8.48	June 23, 2032
1,000,000	750,000	CAD 1.00	8.65	August 24, 2032
250,000	187,500	CAD 0.60	8.65	August 24, 2032
125,000	125,000	CAD 0.50	8.98	December 22, 2032
330,000	109,997	CAD 0.50	9.23	March 22, 2033
200,000	50,000	CAD 0.68	9.7	September 11, 2033
5,027,334	4,188,161	CAD 0.89	7.31	

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18. SHARE CAPITAL (CONTINUED...)

Total share-based compensation for options was \$67,722 and \$40,154 for the three and six months ended June 30, 2024, respectively (three and six months ended June 30, 2023 - \$39,925 and \$144,037, respectively). Additionally, for the three and six months ended June 30, 2024 the Company recognized \$166,146 and \$206,779 of share-based compensation related to restricted shares units, respectively (three and six months ended June 30, 2023 - \$28,937 and \$55,157, respectively), for a total of \$233,868 and \$246,933 share-based compensation for the three and six months ended June 30, 2024, respectively (three and six months ended June 30, 2023 - \$68,862 and \$199,194, respectively).

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

	June 30, 2024	December 31, 2023
Expected volatility	90.24 - 93.62%	113.78 - 131.65%
Expected option life (years)	1-09	5-10
Risk-free interest rate	2.70 -3.69%	1.21 - 3.69%
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.

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.

On October 31, 2023, the Company granted 25,000 RSUs to the CFO of the Company, in which the full amount can be exercised into Subordinated Voting Shares immediately and expire on October 31, 2026.

On February 28, 2024, the Company granted 641,673 RSUs to directors of the Company, in which 25% is vested on the grant date and 25% vest every 6 months from grant date and expire on February 28, 2027.

On May 24, 2024, the Company granted 2,721,647 RSUs to employees of the Company including officers and a director, in which the full amount can be exercised into Subordinated Voting Shares on October 1, 2024 and expire on May 24, 2027.

The Company recognized \$166,146 and \$206,779 as share-based compensation for the three and six months ended June 30, 2024, respectively (three and six months ended June 30, 2023 was \$28,937 and \$55,157, respectively).

18. SHARE CAPITAL (CONTINUED...)

The continuity of RSU for the period ended June 30, 2024 is as follows:

	Number of RSU's
Outstanding December 31, 2022	1,337,275
Granted	250,908
Exercised	(1,306,025)
Outstanding December 31, 2023	282,158
Granted	3,363,320
Exercised	(282,158)
Outstanding, June 30, 2024	3,363,320
Exercisable, June 30, 2024	160,418

(e) Special Advisory Warrants

As of June 30, 2024, 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 June 30, 2024 and June 30, 2023, the Advisory Warrants were fully vested and nil was recorded as share-based compensation.

(f) Escrow Securities

As at June 30, 2024, the Company had nil subordinate voting shares (December 31, 2023 – 8,999,989 related to the APP Pharms acquisition) held in escrow.

19. 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 subject to externally imposed capital requirements as disclosed in Note 15. There were no changes in the Company’s approach to capital management during the period.

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20. 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 six months ended June 30, 2024 and 2023 and all material 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 six months ended June 30, 2024, the Company recognized sales of \$16,816,951 (2023 - \$18,297,772) of which approximately 65% (2023 - 86%) were derived from the Company's operation in Arizona.

For the six months ended June 30, 2024 and June 30, 2023

	Arizona	Ohio	Total
Balance at June 30, 2023			
Total Sales	\$ 15,704,520	\$ 2,593,252	\$ 18,297,772
Cost of Goods Sold	9,104,733	1,761,426	10,866,159
Gross Profit	\$ 6,599,787	\$ 831,826	\$ 7,431,613

Balance at June 30, 2024			
Total Sales	\$ 10,980,201	\$ 5,836,750	\$ 16,816,951
Cost of Goods Sold	8,298,197	4,798,462	13,096,659
Gross Profit	\$ 2,682,004	\$ 1,038,288	\$ 3,720,292

	Arizona	Ohio	Total
Balance at December 31, 2023			
Property, plant, and equipment	\$ 25,911,635	\$ 12,631,157	\$ 38,542,792
Intangible Assets	24,690,843	37,301,503	61,992,346
Goodwill	461,752	1,607,516	2,069,268
Balance at June 30, 2024			
Property, plant, and equipment	\$ 27,287,482	\$ 11,422,648	\$ 38,710,130
Intangible Assets	23,117,078	44,994,328	68,111,406
Goodwill	461,752	4,673,401	5,135,153

21. FAIR VALUE MEASUREMENT

The fair value of the Company's accounts receivable, short-term notes receivable, loans to joint operation, deposits and other receivables and 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.

Ohio Note

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 June 30, 2024, the fair value of the Ohio Loan is \$10,859,613. 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 Note is as follows:

Key unobservable inputs	June 30, 2024	December 31, 2023
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 June 30, 2024:

Discount rates	2%	(2%)
Increase (decrease)	\$ 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, 2023	\$ 13,056,812
Issuance of new loan	—
Repayments	(543,474)
Interest	482,626
Change in fair value	356,720
Accumulated Other Comprehensive Income	(2,493,071)
Balance at June 30, 2024 (Note 15)	\$ 10,859,613

21. FAIR VALUE MEASUREMENT (CONTINUED...)

Purchase Option:

The purchase option acquired in the October 3, 2023 acquisition (Note 8) is recognized both initially and subsequently at fair value with fair value determined using a binomial lattice model. The fair value was estimated using Level 3 inputs and is most sensitive to changes in the equity value of the underlying entity. The reconciliation of the purchase option is as follows:

Balance at December 31, 2023	\$ 4,903,211
Change in fair value	(2,022,211)
Exercise of option (Note 8)	(2,881,000)
Balance at June 30, 2024 (Note 15)	\$ —

22. CONTINGENCIES

As at June 30, 2024, the Company has no known contingencies.

23. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with current period presentation.

24. SUBSEQUENT EVENTS

- On July 16, 2024, the Company announced that it had received dual-use Provisional Licenses from the Ohio Division of Cannabis Control (DCC), for its fully built-out cultivation and manufacturing facility as well as its operated dispensaries in Jackson and Columbus. The Provisional Licenses were the prerequisites towards obtaining the Certificate of Operations from the DCC, which will enable Vext to enter the adult-use market.
- On August 2, 2024, the Company announced it had secured Certificates of Operation for the dual licensing of its cultivation and manufacturing facility as well as its operated dispensaries in Jackson and Columbus. The Company has now received approval from the Ohio Division of Cannabis Control (DCC) to begin selling adult-use cannabis on Tuesday, August 6, 2024.