



**Vext Science, Inc.**

**Condensed Consolidated Interim Financial Statements**

**September 30, 2024 and 2023**

(Expressed in U.S. Dollars)

(Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 *Continuous Disclosure Obligations*, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Vext Science, Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management and are approved by the Audit Committee of the Company’s board of directors.

The Company’s independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim condensed consolidated financial statements by an entity’s auditor.

# Vext Science, Inc.

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

	Notes	September 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 2,844,394	\$ 8,720,132
Amounts receivable, net	4	1,819,609	1,260,551
Inventory	5	11,923,215	12,239,959
Biological assets	11	2,410,377	1,017,836
Prepaid expenses, deposits, and other receivables	6	6,964,348	5,982,500
Notes receivable – current	7	1,893,203	6,689,325
Loans to joint operation	10	649,551	470,835
Purchase option	21	—	4,903,211
<b>Total current assets</b>		<b>28,504,697</b>	<b>41,284,349</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	37,011,661	38,542,792
Investment in joint ventures	9	1,463,448	1,714,068
Right-of-use asset	16	3,809,775	2,626,104
Due from related party	17	1,342,228	1,328,383
Intangible assets	13	66,187,183	61,992,346
Goodwill	13	5,135,153	2,069,268
Deferred tax asset		2,496	2,496
<b>Total Assets</b>		<b>\$ 143,456,641</b>	<b>\$ 149,559,806</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Payables and accrued liabilities	14	\$ 8,160,925	\$ 6,761,764
Due to related parties	17	583,796	961,655
Notes payable – current portion	15	7,787,177	5,787,177
Lease liability – current portion	16	753,349	470,881
<b>Total current liabilities</b>		<b>17,285,247</b>	<b>13,981,477</b>
<b>Long-term liabilities</b>			
Notes payable – non-current portion	15	28,503,972	30,054,393
Lease liability – non-current portion	16	3,288,429	2,284,293
Deferred tax liabilities		9,484,017	8,257,368
<b>Total liabilities</b>		<b>58,561,665</b>	<b>54,577,531</b>
<b>Shareholders' equity</b>			
Subordinated and multiple voting shares	18	53,169,071	48,207,763
Shares to be issued		—	4,847,609
Reserves		4,870,357	4,344,211
Accumulated other comprehensive income (loss)		2,355,035	(138,036)
Retained earnings		24,500,513	37,720,728
<b>Total shareholders' equity</b>		<b>84,894,976</b>	<b>94,982,275</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 143,456,641</b>	<b>\$ 149,559,806</b>

Approved on November 20, 2024 by the Board of Directors:

“Jason T. Nguyen” \_\_\_\_\_, Director

“Eric J. Offenberger” \_\_\_\_\_, Director

**VEXT SCIENCE, INC.**
**Condensed Consolidated Statement of Operations and Comprehensive Loss**

(Expressed in U.S. Dollars)

	Notes	For the Three Months Ended		For the Nine Months Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Sales</b>		\$ 8,986,909	\$ 8,099,285	\$ 25,803,860	\$ 26,397,057
Cost of Goods Sold	5	5,242,326	4,912,744	18,352,939	15,781,712
<b>Gross Profit before fair value adjustments</b>		<b>3,744,583</b>	<b>3,186,541</b>	<b>7,450,921</b>	<b>10,615,345</b>
Unrealized gain in fair value of biological assets	11	(2,723,340)	(763,984)	(4,603,633)	(2,877,755)
Realized loss in fair value of inventory sold	11	2,499,609	1,145,783	5,212,386	3,319,734
<b>Gross Profit</b>		<b>3,968,314</b>	<b>2,804,742</b>	<b>6,842,168</b>	<b>10,173,366</b>
<b>Operating Expenses</b>					
Amortization	13,16	2,115,569	981,070	6,157,169	2,943,210
Depreciation	12	131,373	848,199	387,190	1,067,140
Share-based compensation	18	392,912	73,623	639,845	272,817
Salaries, wages, and commissions		1,220,052	1,417,454	3,656,414	2,745,305
General and administrative		1,399,284	1,206,797	4,289,186	3,330,759
<b>Total Operating Expenses</b>		<b>5,259,190</b>	<b>4,527,143</b>	<b>15,129,804</b>	<b>10,359,231</b>
<b>Other Income (Expense)</b>					
Accretion on debt		—	5,983	—	18,014
Share of loss in joint ventures	9	(121,335)	(47,777)	(402,621)	(152,835)
Disposal of assets loss	12	(1,912)	(10,718)	(3,356)	(10,718)
Change in fair value of debt	21	(612,086)	(170,653)	(968,806)	(1,412,951)
Change in fair value of purchase option	21	—	—	(2,022,211)	—
Foreign exchange gain/(loss)		445	(448)	1,914	(3,487)
Interest expense		(867,201)	(993,908)	(2,608,188)	(2,893,927)
Interest income		40,603	37,347	179,078	65,577
Miscellaneous income		116,750	—	185,000	—
<b>Total other expense</b>		<b>(1,444,736)</b>	<b>(1,180,174)</b>	<b>(5,639,190)</b>	<b>(4,390,327)</b>
<b>Net loss before tax</b>		<b>(2,735,612)</b>	<b>(2,902,575)</b>	<b>(13,926,826)</b>	<b>(4,576,192)</b>
Income tax recovery		238,844	1,064,372	706,611	3,346,500
<b>Net loss</b>		<b>\$ (2,496,768)</b>	<b>\$ (1,838,203)</b>	<b>\$ (13,220,215)</b>	<b>\$ (1,229,692)</b>
<b>Other comprehensive income</b>					
Remeasurement of financial liabilities measured at fair value through profit or loss		—	—	2,493,071	—
<b>Total comprehensive loss</b>		<b>\$ (2,496,768)</b>	<b>\$ (1,838,203)</b>	<b>\$ (10,727,144)</b>	<b>\$ (1,229,692)</b>
<b>Basic earnings (loss) per subordinated voting share</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>
<b>Diluted earnings (loss) per subordinated voting share</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of subordinated voting shares outstanding – basic</b>		<b>245,553,505</b>	<b>149,769,504</b>	<b>238,736,763</b>	<b>149,600,439</b>
<b>Weighted average number of subordinated voting shares outstanding – diluted</b>		<b>248,657,027</b>	<b>149,769,504</b>	<b>240,336,818</b>	<b>149,600,439</b>

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							
<b>Balance at December 31, 2022</b>	<b>81,688,526</b>	<b>\$ 32,539,493</b>	<b>—</b>	<b>672,747</b>	<b>\$ 1,934,241</b>	<b>\$ 1,781,967</b>	<b>\$ 1,862,693</b>	<b>\$ 615,883</b>	<b>\$ (138,036)</b>	<b>\$ 33,322,281</b>	<b>\$ 71,918,522</b>	
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)	
<b>Balance at September 30, 2023</b>	<b>82,523,478</b>	<b>\$ 33,511,131</b>	<b>—</b>	<b>672,747</b>	<b>\$ 1,249,775</b>	<b>\$ 1,781,967</b>	<b>\$ 2,051,270</b>	<b>\$ 412,951</b>	<b>\$ (138,036)</b>	<b>\$ 32,092,589</b>	<b>\$ 70,961,647</b>	
<b>Balance at December 31, 2023</b>	<b>150,209,109</b>	<b>\$ 46,273,522</b>	<b>\$ 4,847,609</b>	<b>672,747</b>	<b>\$ 1,934,241</b>	<b>\$ 1,781,967</b>	<b>\$ 2,129,011</b>	<b>\$ 433,233</b>	<b>\$ (138,036)</b>	<b>\$ 37,720,728</b>	<b>\$ 94,982,275</b>	
Share-based compensation	—	—	—	—	—	—	63,753	576,092	—	—	639,845	
Shares issued from RSUs exercised	266,132	113,699	—	—	—	—	—	(113,699)	—	—	—	
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	—	—	—	—	—	—	—	—	—	(13,220,215)	(13,220,215)	
<b>Balance at September 30, 2024</b>	<b>178,175,866</b>	<b>\$ 51,234,830</b>	<b>\$ —</b>	<b>672,747</b>	<b>\$ 1,934,241</b>	<b>\$ 1,781,967</b>	<b>\$ 2,192,764</b>	<b>\$ 895,626</b>	<b>\$ 2,355,035</b>	<b>\$ 24,500,513</b>	<b>\$ 84,894,976</b>	

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)

	<b>For the period ended September 30, 2024</b>	<b>For the period ended September 30, 2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (13,220,215)	\$ (1,229,692)
Items not affecting cash:		
Unrealized change in fair value of biological assets	(4,603,633)	(2,877,755)
Realized change in fair value of inventory sold	5,212,386	3,319,734
Amortization	6,157,181	2,943,210
Depreciation	5,148,385	3,111,978
Share-based compensation	639,845	272,817
Accretion on leases and debt	—	(18,013)
Share of loss on joint ventures	402,621	152,835
Disposal of assets gain/(loss)	(204)	—
Change in fair value long term debt	1,072,956	559,912
Change in fair value of purchase option	2,022,211	—
Deferred tax liabilities	(837,861)	(3,752,279)
Debt transaction costs	—	742,036
Deferred Tax Expense	—	(79,721)
Amortized debt transaction costs	88,572	204,378
Other income	(13,845)	—
Expensed construction in progress	87,792	—
Non-cash working capital item changes:		
Amounts receivable	(559,059)	(1,361,468)
Biological asset (capitalized costs)	(7,037,646)	(618,293)
Inventory	5,789,133	1,940,149
Prepaid expenses, deposits, and other receivables	(656,097)	889,157
Payables and accrued liabilities	(40,996)	(389,728)
Reduction in Due to Related Parties	(377,860)	—
<b>Net cash (used) in operating activities</b>	<b>\$ (726,334)</b>	<b>\$ 3,809,257</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash acquired from acquisition, net of cash paid - dispensary	\$ (2,791,780)	\$ 8,695
Loan to joint operations	(178,716)	(147,957)
Loan from joint ventures	—	153,970
Deposits on Ohio Acquisition	(286,703)	—
Deposits on new dispensaries	(49,893)	—
Notes receivable issued	(197,892)	(1,344,010)
Working Capital for Kentucky Entities	(365,325)	—
Investment in joint ventures	(152,000)	(15,900)
Disposal of property, plant and equipment	—	37,091
Loss on disposal of property, plant and equipment	—	(10,718)
Acquisition of property, plant and equipment	(694,666)	(1,775,559)
<b>Net cash (used) in investing activities</b>	<b>\$ (4,716,975)</b>	<b>\$ (3,094,388)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan payable due from Ohio ventures	\$ —	\$ 1,000,000
Loan payable Big Perm acquisition (payments)	(95,466)	—
Loan payable Ohio acquisition (payments)	—	(2,779,169)
Loan costs (payments) proceeds	(1,089,816)	(968,291)
Notes payable (payments) proceeds	(778,365)	(158,192)
Standby Facility (LOC)	2,000,000	—
Promissory Note (payments) proceeds	(50,692)	—

**VEXT SCIENCE, INC.**

## Condensed Consolidated Statement of Cash Flows

(Expressed in U.S. Dollars)

Reduction in lease liability		(418,090)	(118,566)
<b>Net cash (used) in financing activities</b>	<b>\$</b>	<b>(432,429)</b>	<b>\$ (3,024,218)</b>
<b>Net change in cash during the period</b>	<b>\$</b>	<b>(5,875,738)</b>	<b>\$ (2,309,349)</b>
<b>Cash, beginning of the period</b>		<b>8,720,132</b>	<b>5,933,837</b>
<b>Cash, end of the period</b>	<b>\$</b>	<b>2,844,394</b>	<b>\$ 3,624,488</b>
<b>Cash paid for</b>			
Interest	\$	(2,608,188)	\$ (2,893,927)
<b>Non-cash investing and financing activities</b>			
Property, plant & equipment received to settle note receivable Ohio (Note 12)	\$	—	\$ 10,401,853
Acquisition of entities in exchange for receivables & notes due from seller (Note 8)	\$	8,096,415	\$ —
Recognition of new right of use assets (ROU) (Note 16)	\$	1,037,047	\$ 212,130

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



## **VEXT SCIENCE, INC.**

Notes to Condensed Consolidated Interim Financial Statements

September 30, 2024

(Expressed in U.S. Dollars)

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### **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 had successfully acquired complete ownership of a cultivation and manufacturing facility, 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 September 30, 2024, the Company's subsidiaries and affiliates are listed below.

<b>Name</b>	<b>Jurisdiction</b>	<b>Ownership</b>
<b>Vext Science, Inc.</b>	<b>BC, Canada</b>	
<b>Subsidiaries:</b>		
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%
Herbal Wellness Center KY	Kentucky, USA	100%
Herbal Wellness Center KY I	Kentucky, USA	100%
Herbal Wellness Center KY II	Kentucky, USA	100%
Herbal Wellness Center KY III	Kentucky, 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%
<b>Joint Ventures:</b>		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen Oklahoma, LLC	Oklahoma, USA	25%
<b>Joint Operations:</b>		
Happy Travels, LLC	California, USA	50%

**d. Approval of the Condensed Consolidated Interim Financial Statements**

These condensed consolidated interim financial statements for three and nine months ended September 30, 2024 and 2023 were approved and authorized for issue by the Board of Directors on November 20, 2024.

**e. Foreign currency**

Functional and presentation currency

**2. BASIS OF PRESENTATION (*CONTINUED...*)**

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.

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.

**VEXT SCIENCE, INC.**

Notes to Condensed Consolidated Interim Financial Statements

September 30, 2024

(Expressed in U.S. Dollars)

**4. AMOUNTS RECEIVABLE**

The Company's amounts receivable consists of the following:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Amounts receivable	\$ 2,260,537	\$ 1,683,648
Allowance for credit losses	(465,583)	(465,583)
GST input tax credits	24,655	42,486
<b>Total Amounts Receivable</b>	<b>\$ 1,819,609</b>	<b>\$ 1,260,551</b>

**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:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
<b>Work in Process</b>		
Capitalized Cost	\$ 992,779	\$ 332,321
Fair Value Adjustment	740,360	994,278
<b>Carrying Value</b>	<b>\$ 1,733,139</b>	<b>\$ 1,326,599</b>
<b>Finished Goods</b>		
Capitalized Cost	\$ 8,485,286	\$ 10,751,929
Fair Value Adjustment	1,704,790	161,431
<b>Carrying Value</b>	<b>\$ 10,190,076</b>	<b>\$ 10,913,360</b>
<b>Total</b>	<b>\$ 11,923,215</b>	<b>\$ 12,239,959</b>

For the three and nine months ended September 30, 2024, the Company recognized \$5,242,326 and \$18,352,939 of inventory expensed to cost of goods sold, respectively (three and nine months ended September 30, 2023 - \$4,912,744 and \$15,781,712, respectively).

**VEXT SCIENCE, INC.**

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**6. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES**

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Vendor deposits	\$ 461,669	\$ 173,643
Deposit on Big Perm Dispensaries <sup>(1)</sup>	5,238,179	5,351,476
Prepaid Expense/Insurance/Maintenance	1,147,664	428,888
Security deposits	116,836	28,493
<b>Total prepaid expenses, deposits, and other receivables</b>	<b>\$ 6,964,348</b>	<b>\$ 5,982,500</b>

<sup>(1)</sup> As at September 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. The Company is currently awaiting the transfer of the licenses by the State of Ohio, which is projected to occur by the end of 2024 (the "Ohio Expansion Transaction").

Of the \$5,238,179 deposit as at September 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.

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**7. NOTES RECEIVABLE**

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

	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Due from Rinse Repeat Ventures, an arm's length party, accruing interest at 0% per annum	\$ 255,839	\$ —	\$ 255,839
Deposit on Jeffersonville Ohio Dispensary, an arm's length party, accruing interest at 0% per annum	33,701	—	33,701
Deposit on Athens Ohio Dispensary, an arm's length party, accruing interest at 0% per annum	61,765	—	61,765
Due from Green Goblin, an arm's length party, accruing interest at 0% per annum	1,274,982	—	1,274,982
Allowance for Credit Loss - Green Goblin	(664,290)	—	(664,290)
Due from Vapen Oklahoma, an arm's length party, accruing interest at 0% per annum	511,449	—	511,449
Due from Vapen Kentucky, an arm's length party, accruing interest at 0% per annum	419,757	—	419,757
<b>Total</b>	<b>\$ 1,893,203</b>	<b>\$ —</b>	<b>\$ 1,893,203</b>

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

	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Due from CannAscend (acquisition cost of new dispensary and license), an arm's length party, accruing interest at 10% per annum <sup>(1)</sup>	\$ 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
<b>Total</b>	<b>\$ 6,689,325</b>	<b>\$ —</b>	<b>\$ 6,689,325</b>

<sup>(1)</sup> On March 30, 2020, the Company's wholly owned subsidiary, Vapen, LLC ("Vapen"), entered into a non-binding letter of intent 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 to, and subject to, applicable Ohio state law. On March 15, 2021, the Company entered into a letter of intent 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).

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**7. NOTES RECEIVABLE (CONTINUED...)**

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

<b>APP 1803, LLC</b>	<b>December 31, 2022</b>		<b>December 31, 2023</b>		<b>September 30, 2024</b>	
		<b>Activity</b>		<b>Activity</b>		
Contributions	\$ 4,000,000	\$ (4,000,000)	\$ —	\$ —	\$ —	\$ —
Working Capital	836,292	(836,292)	—	—	—	—
Deposit for License	70,000	(70,000)	—	—	—	—
<b>Total APP 1803, LLC</b>	<b>4,906,292</b>	<b>(4,906,292)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>APP 1804, LLC</b>						
Deposit for License	110,000	(110,000)	—	—	—	—
<b>Total APP 1804, LLC</b>	<b>110,000</b>	<b>(110,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>APP Pharms, LLC</b>						
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)	—	—	—	—
<b>Total APP Pharms, LLC</b>	<b>12,971,245</b>	<b>(12,971,245)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CannAscend LLC</b>						
Note Receivable due to acquisition	—	4,891,292	4,891,292	(4,891,292)	—	—
<b>Total CannAscend LLC</b>	<b>—</b>	<b>4,891,292</b>	<b>4,891,292</b>	<b>(4,891,292)</b>	<b>—</b>	<b>—</b>
<b>Big Perm, LLC</b>						
Working Capital - Jeffersonville	—	—	—	33,701	33,701	33,701
Working Capital - Athens	—	—	—	61,765	61,765	61,765
<b>Total Big Perm LLC</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>95,466</b>	<b>95,466</b>	<b>95,466</b>
<b>Total</b>	<b>\$ 17,987,537</b>	<b>\$ (13,096,245)</b>	<b>\$ 4,891,292</b>	<b>\$ (4,795,826)</b>	<b>\$ 95,466</b>	<b>\$ 95,466</b>



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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:

	<b>January 2, 2023</b>
<b>Net assets acquired</b>	
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
<b>Total net assets acquired</b>	<b>\$ 6,787,156</b>
<b>Consideration</b>	
Cash	\$ 6,097,156
Cash held in escrow	690,000
<b>Total consideration</b>	<b>\$ 6,787,156</b>

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:

	<b>October 3, 2023</b>
<b>Net assets acquired</b>	
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)
<b>Total identifiable net assets acquired (a)</b>	<b>\$ 42,796,847</b>
<b>Consideration</b>	
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
<b>Total consideration (b)</b>	<b>\$ 27,748,772</b>
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)
<b>Net benefit related to acquisition</b>	<b>\$ (20,550,163)</b>

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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.

	<b>February 29, 2024</b>
<b>Net assets acquired</b>	
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)
<b>Total identifiable net assets acquired (a)</b>	<b>\$ 7,910,851</b>
<b>Consideration</b>	
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
<b>Total consideration (b)</b>	<b>10,976,736</b>
<b>Goodwill and other intangible assets (b-a)</b>	<b>\$ 3,065,885</b>

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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 September 30, 2024 and December 31, 2023, the balance of investments is comprised of the following:

	Vapen KY	Vapen OK	Total
<b>Balance as at December 31, 2022</b>	\$ 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)
<b>Balance as at December 31, 2023</b>	<b>559,827</b>	<b>1,154,241</b>	<b>1,714,068</b>
Contributions (repayments)	152,000	—	152,000
Share of (loss) of the joint ventures during the period	(187,648)	(214,972)	(402,620)
<b>Balance as at September 30, 2024</b>	<b>\$ 524,179</b>	<b>\$ 939,269</b>	<b>\$ 1,463,448</b>

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

	Vapen KY	Vapen OK	Total
Ownership %	50%	25%	
Total current assets	\$ 1,159,794	\$ 684,644	\$ 1,844,438
Non-current assets	4,989	122,716	127,705
Total Assets	1,164,783	807,360	1,972,143
Total liabilities	4,028,936	3,087,543	7,116,479
Net Assets	(2,864,153)	(2,280,183)	(5,144,336)
Revenue	6,355	205,443	211,798
Cost of Goods Sold	66,209	327,020	393,229
Total Expenses	18,021	43,216	61,237
Net (loss)	(77,875)	(164,793)	(242,668)
<b>The Company's equity share of income (loss) in joint ventures</b>	<b>\$ (38,938)</b>	<b>\$ (82,397)</b>	<b>\$ (121,335)</b>

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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 September 30, 2024, the Company had the following loans to operations:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Happy Travels, LLC.	\$ 852,268	\$ 694,290
Green Goblin, LLC.	386,370	365,632
Allowance for Credit Losses Joint Operations	(589,087)	(589,087)
Total	<b>\$ 649,551</b>	<b>\$ 470,835</b>

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**11. BIOLOGICAL ASSETS**

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

<b>Balance, December 31, 2023</b>	<b>\$</b>	<b>1,017,836</b>
Capitalized costs		7,037,646
Change in fair value less costs to sell due to biological transformation		4,603,633
Transferred into inventory upon harvest		(10,248,738)
<b>Balance at September 30, 2024</b>	<b>\$</b>	<b>2,410,377</b>

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**

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Average selling price per gram of flower	\$ 1.87	\$ 2.87
Weighted average yield of flower per plant (in grams)	59.01	54.35

**Effect on fair value****Sensitivity**

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Increase or decrease by \$0.50 per gram	\$ 248,940	\$ 168,388
Increase or decrease by \$0.10 per gram	\$ 50,335	\$ 27,790
Increase or decrease of yield by 10%	\$ 241,038	\$ 101,784

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
<b>Total expected yield (in grams)</b>	<b>2,491,429</b>	<b>954,456</b>

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:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Unrealized change in fair value of biological assets	\$ 2,723,340	\$ 763,984	\$ 4,603,632	\$ 2,877,755
Realized change in fair value on inventory sold in the period	(2,499,609)	(1,145,783)	(5,212,386)	(3,319,734)
Net effect of changes in fair value of biological assets and inventory	\$ 223,731	\$ (381,799)	\$ (608,754)	\$ (441,979)

As at September 30, 2024, the Company had 19,350 (December 31, 2023 - 10,940) plants in cultivation with 778 (December 31, 2023 - 1,888) plants greater than 80% grown; 3,686 (December 31, 2023 - 1,474) plants between 60% and 80% grown; and 14,886 (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
<b>Cost</b>								
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
<b>Balance at December 31, 2023</b>	<b>\$ 1,820,779</b>	<b>\$ 7,555,841</b>	<b>\$ 18,637,216</b>	<b>\$ 13,673,091</b>	<b>\$ 9,286,971</b>	<b>\$ 369,685</b>	<b>\$ 208,533</b>	<b>\$ 51,552,116</b>
Disposals	—	(279,945)	(643,665)	(1,526,230)	—	(88,045)	(6,225)	(2,544,110)
Additions	772,496	1,847,599	86,036	56,397	37,941	8,000	—	2,808,469
Additions from CIP	—	—	30,510	—	—	(30,510)	—	—
Additions from acquisition (Note 8)	—	—	935	—	909,240	—	—	910,175
<b>Balance at September 30, 2024</b>	<b>\$ 2,593,275</b>	<b>\$ 9,123,495</b>	<b>\$ 18,111,032</b>	<b>\$ 12,203,258</b>	<b>\$ 10,234,152</b>	<b>\$ 259,130</b>	<b>\$ 202,308</b>	<b>\$ 52,726,650</b>
<b>Accumulated Amortization</b>								
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
<b>Balance at December 31, 2023</b>	<b>\$ —</b>	<b>\$ 907,807</b>	<b>\$ 5,878,795</b>	<b>\$ 4,891,090</b>	<b>\$ 1,238,619</b>	<b>\$ —</b>	<b>\$ 93,013</b>	<b>\$ 13,009,324</b>
Disposals	—	(279,945)	(630,320)	(1,526,230)	—	—	(6,225)	(2,442,720)
Depreciation	—	171,749	1,937,920	1,685,270	1,325,880	—	27,566	5,148,385
<b>Balance at September 30, 2024</b>	<b>\$ —</b>	<b>\$ 799,611</b>	<b>\$ 7,186,395</b>	<b>\$ 5,050,130</b>	<b>\$ 2,564,499</b>	<b>\$ —</b>	<b>\$ 114,354</b>	<b>\$ 15,714,989</b>
<b>Net Book Value</b>								
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
<b>Balance at September 30, 2024</b>	<b>\$ 2,593,275</b>	<b>\$ 8,323,884</b>	<b>\$ 10,924,637</b>	<b>\$ 7,153,128</b>	<b>\$ 7,669,653</b>	<b>\$ 259,130</b>	<b>\$ 87,954</b>	<b>\$ 37,011,661</b>

Additions during the nine months ended September 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 nine months ended September 30, 2024 of \$89,490 net book value (NBV) were driven by expensing certain construction in progress and disposal of sundries and kitchen equipment. The disposal of the sundries and kitchen equipment resulted in a combined loss of \$(3,356). 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 nine months ended September 30, 2024, \$1,584,447 and \$4,761,195, respectively, was included in the cost of sales (three and nine months ended September 30, 2023 was \$518,739 and \$2,044,839, respectively) and \$131,373 and \$387,190, respectively, was included in operating expense (three and nine months ended September 30, 2023 was \$847,705 and \$1,067,139, 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 September 30, 2024
<b>Firebrand (Brand name)</b>	\$ 120,150	\$ —	\$ (53,400)	\$ 66,750	\$ —	\$ (40,050)	\$ 26,700
<b>Patent</b>	195,000	—	(15,000)	180,000	—	(11,250)	168,750
<b>Dispensary License - Ohio (Note 8)</b>	—	5,489,000	(457,418)	5,031,582	—	(343,044)	4,688,538
<b>Dispensary Licenses - Arizona</b>	23,896,243	—	(2,172,384)	21,723,859	—	(1,629,289)	20,094,570
<b>Brand Name - Ohio (Note 8)</b>	—	597,000	(298,500)	298,500	—	(223,875)	74,625
<b>Brand Name - Arizona</b>	3,334,676	—	(833,669)	2,501,007	—	(625,252)	1,875,755
<b>Customer Relationships - Arizona</b>	292,305	—	(73,076)	219,229	—	(54,807)	164,422
<b>Customer Relationships (Note 8)</b>	—	2,143,000	(103,694)	2,039,306	—	(321,450)	1,717,856
<b>Processing License (Note 8)</b>	—	8,399,000	(169,335)	8,229,665	—	(524,937)	7,704,728
<b>Cultivation License (Note 8)</b>	—	22,149,000	(446,552)	21,702,448	—	(1,384,313)	20,318,135
<b>Dispensary License - Ohio Columbus (Note 8)</b>	—	—	—	—	9,831,000	(477,896)	9,353,104
<b>Total</b>	<b>\$ 27,838,374</b>	<b>\$ 38,777,000</b>	<b>\$ (4,623,028)</b>	<b>\$ 61,992,346</b>	<b>\$ 9,831,000</b>	<b>\$ (5,636,163)</b>	<b>\$ 66,187,183</b>

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.

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

On February 29, 2024, the Company completed an acquisition (Note 8) whereby \$9,831,000 of intangible assets were acquired.



**14. PAYABLES AND ACCRUED LIABILITIES**

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Trade payables	\$ 2,979,585	\$ 2,042,348
Credit card payable	—	24,974
Sales tax payable	439,216	423,511
Income tax payable	3,073,868	3,243,334
Payroll liabilities	593,639	614,679
Accrued liabilities	1,074,617	412,918
<b>Total Payables and accrued liabilities</b>	<b>\$ 8,160,925</b>	<b>\$ 6,761,764</b>

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**15. NOTES PAYABLE**

Current notes payable are made up of the following:

	September 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)	2,000,000	—
<b>Total</b>	<b>\$ 7,787,177</b>	<b>\$ 5,787,177</b>

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

	September 30, 2024	December 31, 2023
Maturing July 15, 2027 with an interest rate of 10% per annum (1)	\$ 9,590,622	\$ 9,732,161
Maturing July 15, 2027 with an interest rate of 10.5% per annum (1)	1,830,349	2,492,232
Maturing December 19, 2032 with an interest rate of 8.75% per annum (2)	9,463,443	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	43,217	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)	1,649,309	—
<b>Total</b>	<b>\$ 28,503,972</b>	<b>\$ 30,054,393</b>

(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 September 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 15<sup>th</sup> 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 September 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

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**15. NOTES PAYABLE (CONTINUED...)**

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.

(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	September 30, 2024
<b>Notes Payable</b>					
Wright-Patt Ohio Loan 1 & 2	\$ 10,003,536	\$ 3,053,276	\$ 13,056,812	\$ (1,617,942)	\$ 11,438,870
Wright-Patt Ohio Loan Closing Costs	(738,024)	738,024	—	—	—
East West Bank Loan 1	17,044,001	(4,927,343)	12,116,658	(258,668)	11,857,990
East West Bank Loan 2	4,661,407	(827,777)	3,833,630	(677,613)	3,156,017
East West Bank Closing Costs Loan 1	(680,123)	145,980	(534,143)	117,129	(417,014)
East West Bank Closing Costs Loan 2	(172,811)	100,973	(71,838)	15,729	(56,109)
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	(778,365)	1,243,217
Promissory Note - Athens	—	—	—	1,649,309	1,649,309
Standby Facility Line of Credit (LOC)	—	—	—	2,000,000	2,000,000
<b>Total Notes Payable</b>	<b>\$ 32,516,584</b>	<b>\$ 3,324,986</b>	<b>\$ 35,841,570</b>	<b>\$ 449,579</b>	<b>\$ 36,291,149</b>

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**16. LEASES**

**Right-of-use asset:**

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

<b>Location</b>	<b>Balance at December 31, 2022</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance at December 31, 2023</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance at September 30, 2024</b>
AZ Dispensary	\$ 179,620	\$ —	\$ (59,873)	\$ 119,747	\$ —	\$ (44,904)	\$ 74,843
AZ Dispensary Parking	180,817	—	(60,272)	120,545	—	(45,204)	75,341
Corporate Office	436,503	—	(8,761)	427,742	—	(57,952)	369,790
Cultivation Lease	—	916,724	(61,479)	855,245	—	(184,437)	670,808
Processing Lease	—	932,138	(27,573)	904,565	—	(82,719)	821,846
Jackson, OH Dispensary	—	212,131	(13,871)	198,260	—	(10,401)	187,859
Columbus, OH Dispensary	—	—	—	—	666,394	(77,747)	588,647
Jackson, OH Dispensary 2	—	—	—	—	733,384	(3,578)	729,806
Columbus, OH Dispensary 2	—	—	—	—	277,654	(3,394)	274,260
HWC KY	—	—	—	—	15,140	(8,188)	6,952
HWC KY III	—	—	—	—	11,548	(1,925)	9,623
<b>Total</b>	<b>\$ 796,940</b>	<b>\$ 2,060,993</b>	<b>\$ (231,829)</b>	<b>\$ 2,626,104</b>	<b>\$ 1,704,120</b>	<b>\$ (520,449)</b>	<b>\$ 3,809,775</b>

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 nine months ended September 30, 2024 was included in operating expenses.

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**16. LEASES (CONTINUED...)**

**Lease liability:**

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

	<b>Total</b>
<b>Balance at December 31, 2022</b>	<b>\$ 893,749</b>
January 2, 2023 Additions	212,131
October 2, 2023 Additions	1,848,862
Interest Expense	208,967
Lease payments	(408,535)
<b>Balance at December 31, 2023</b>	<b>\$ 2,755,174</b>
Additions	1,704,120
Interest Expense	297,084
Lease payments	(714,600)
<b>Balance at September 30, 2024</b>	<b>4,041,778</b>
<b>Less: current portion</b>	<b>(753,349)</b>
<b>Long-term lease liability</b>	<b>\$ 3,288,429</b>

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

	<b>September 30, 2024</b>
Less than one year	\$ 1,245,128
One to five years	4,980,511
More than five years	6,329,400
<b>Total undiscounted lease obligations</b>	<b>12,555,039</b>
Less imputed interest	(9,266,610)
<b>Total present lease obligations</b>	<b>\$ 3,288,429</b>

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

	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Interest expense (included in cost of good sold – property and equipment leasing)	\$ 272,082	\$ 69,937
Interest expense (included in general and admin in operating expenses)	\$ 25,002	\$ 25,859
Amortization (included in operating expenses)	\$ 520,449	\$ 149,012

**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 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, 2024 and 2023 is summarized as follows:

	<b>September 30, 2024</b>	September 30, 2023
Share-based compensation	\$ 98,374	\$ 46,688
Salaries and wages included in cost of goods sold	59,246	78,716
Salaries, wages and commissions included in operating expenses	165,015	159,888
Consulting fees included in operating expenses	35,750	31,249
<b>Total</b>	<b>\$ 358,385</b>	<b>\$ 316,541</b>

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

	<b>September 30, 2024</b>	September 30, 2023
Share-based compensation	\$ 212,075	\$ 151,318
Salaries and wages included in cost of goods sold	166,876	161,737
Salaries, wages and commissions included in operating expenses	469,076	337,523
Consulting fees included in operating expenses	114,250	78,711
<b>Total</b>	<b>\$ 962,277</b>	<b>\$ 729,289</b>

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

Related Party Relationships:

	<b>September 30, 2024</b>	December 31, 2023
Product Sales		
Vapen Kentucky	\$ —	\$ 54,844
Happy Travel LLC	—	23,725
Vapen Oklahoma - Processing	10,557	137,277
<b>Total</b>	<b>\$ 10,557</b>	<b>\$ 215,846</b>

	<b>September 30, 2024</b>	December 31, 2023
Cash Contributions for Operating Expenses		
Vapen Kentucky	\$ 74,663	\$ 227,664
Happy Travel LLC	160,944	905,425
Vapen Oklahoma - Processing	10,729	1,749
<b>Total</b>	<b>\$ 246,336</b>	<b>\$ 1,134,838</b>

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

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**17. RELATED PARTY TRANSACTIONS (CONTINUED...)****Due from related party:**

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

	September 30, 2024	December 31, 2023
11.5% interest bearing, due on December 31, 2025 from Jason T. Nguyen, Director and former Executive Chairman	\$ 1,342,228	\$ 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 remained in his position as a director of the Company and Chairman of the board of directors, and Mr. Nguyen stepped down as Chairman of the board of directors on August 20, 2024. Concurrently with Mr. Nguyen's resignation from his executive positions, 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 Subordinated 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 nine months ended September 30, 2024, \$44,548, in interest was accrued on these notes payable. Payment of interest begins January 1, 2025. During the nine months ended September 30, 2024 and the year ended December 31, 2023, the portion of the promissory notes payable due is as follows:

	September 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
<b>Total Current Promissory Note Payable (General Manager Ohio Operations)</b>	<b>61,959</b>	61,959
Promissory Note - App Pharms Products (non-current)	521,778	521,778
Promissory Note - App Pharms Processing (non-current)	158,046	158,046
<b>Total Non-current Promissory Note Payable (General Manager Ohio Operations)</b>	<b>679,824</b>	679,824
<b>Total Promissory Note Payable (General Manager Ohio Operations)</b>	<b>741,783</b>	741,783
Interest Payable	44,548	—
<b>Total Interest Payable Payable (General Manager Ohio Operations)</b>	<b>\$ 44,548</b>	\$ —

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

	September 30, 2024	December 31, 2023
Jason T. Nguyen, Executive Chairman (former)	\$ 583,796	\$ 948,314
Mark Opzoomer, Director	—	13,341
<b>Total</b>	<b>\$ 583,796</b>	<b>\$ 961,655</b>

Effective December 31, 2023, the Company agreed to 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 September 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 Subordinated 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 Subordinated Voting Shares were released from escrow and were valued at \$1,936,399 (Note 8).
- During the period, the Company issued an aggregate of 483,842 Subordinated Voting Shares upon settlement of 499,869 RSUs, which were settled for a combination of Subordinated 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 Subordinated Voting Shares upon settlement of 1,934,241 restricted share units, which were settled for a combination of Subordinated 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 Subordinated 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 Subordinated 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 Subordinated Voting Shares of the Company (the "Conversion Transaction"). The Subordinated Voting Shares were measured at the carrying amount of the financial liability extinguished. As the Conversion Fee is settled in the Company's Subordinated 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 Subordinated 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 September 30, 2024:

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

As at September 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	0.59	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 Subordinated 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 Subordinated 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 September 30, 2024 is as follows:

	Number of options	Weighted average exercise price
<b>Outstanding, December 31, 2022</b>	<b>4,736,334</b>	<b>CAD 0.93</b>
Granted	665,000	CAD 0.55
Forfeited	(374,000)	CAD 0.74
<b>Outstanding, December 31, 2023</b>	<b>5,027,334</b>	<b>CAD 0.89</b>
Granted	1,072,000	CAD 0.48
Forfeited	(179,800)	CAD 0.62
<b>Outstanding, September 30, 2024</b>	<b>5,919,534</b>	<b>CAD 0.83</b>

**18. SHARE CAPITAL (CONTINUED...)**

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

<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Exercise Price</b>	<b>Weighted Average Life (years)</b>	<b>Expiry Date</b>
680,000	680,000	CAD 1.00	4.27	January 4, 2029
200,000	200,000	CAD 1.00	4.62	May 13, 2029
833,334	833,334	CAD 0.75	5.62	May 12, 2029
375,000	375,000	CAD 0.75	6.16	November 26, 2030
235,000	235,000	CAD 1.22	6.27	January 31, 2031
500,000	500,000	CAD 1.43	6.39	February 19, 2031
200,000	133,328	CAD 0.58	7.56	April 19, 2032
10,000	6,666	CAD 0.58	7.73	June 23, 2032
1,000,000	1,000,000	CAD 1.00	7.9	August 24, 2032
250,000	250,000	CAD 0.60	7.9	August 24, 2032
125,000	125,000	CAD 0.50	8.23	December 22, 2032
280,000	186,662	CAD 0.50	8.48	March 22, 2033
200,000	200,000	CAD 0.68	8.95	September 11, 2033
1,031,200	343,736	CAD 0.48	9.65	May 24, 2034
<b>5,919,534</b>	<b>5,068,726</b>	<b>CAD 0.83</b>	<b>7.11</b>	

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

<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Exercise Price</b>	<b>Weighted Average Life (years)</b>	<b>Expiry Date</b>
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
<b>5,027,334</b>	<b>4,188,161</b>	<b>CAD 0.89</b>	<b>7.31</b>	

**TEXT SCIENCE, INC.**

Notes to Condensed Consolidated Interim Financial Statements

September 30, 2024

(Expressed in U.S. Dollars)

**18. SHARE CAPITAL (CONTINUED...)**

Total share-based compensation for options was \$23,599 and \$63,753 for the three and nine months ended September 30, 2024, respectively (three and nine months ended September 30, 2023 - \$44,539 and \$188,577, respectively). Additionally, for the three and nine months ended September 30, 2024 the Company recognized \$369,313 and \$576,092 of share-based compensation related to restricted shares units, respectively (three and nine months ended September 30, 2023 - \$29,083 and \$84,240, respectively), for a total of \$392,912 and \$639,845 share-based compensation for the three and nine months ended September 30, 2024, respectively (three and nine months ended September 30, 2023 - \$73,623 and \$272,817, 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:

	September 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 \$369,313 and \$576,092 as share-based compensation for the three and nine months ended September 30, 2024, respectively (three and nine months ended September 30, 2023 was \$29,083 and \$84,240, respectively).

**18. SHARE CAPITAL (CONTINUED...)**

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

	<b>Number of RSU's</b>
<b>Outstanding December 31, 2022</b>	<b>1,337,275</b>
Granted	250,908
Exercised	(1,306,025)
<b>Outstanding December 31, 2023</b>	<b>282,158</b>
Granted	3,363,320
Forfeited	(42,087)
Exercised	(499,869)
<b>Outstanding, September 30, 2024</b>	<b>3,103,522</b>
<b>Exercisable, September 30, 2024</b>	<b>103,126</b>

**(e) Special Advisory Warrants**

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

**(f) Escrow Securities**

As at September 30, 2024, the Company had nil Subordinated 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.

**VEXT SCIENCE, INC.**

Notes to Condensed Consolidated Interim Financial Statements

September 30, 2024

(Expressed in U.S. Dollars)

**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 nine months ended September 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 nine months ended September 30, 2024, the Company recognized sales of \$25,803,860 (2023 - \$26,397,057) of which approximately 63% (2023 - 86%) were derived from the Company's operation in Arizona.

For the nine months ended September 30, 2024 and September 30, 2023

	Arizona		Ohio		Total
<b>Balance at September 30, 2023</b>					
Total Sales	\$ 22,657,061	\$	3,739,996	\$	26,397,057
Cost of Goods Sold	13,503,084		2,278,628		15,781,712
Gross Profit	\$ 9,153,977	\$	1,461,368	\$	10,615,345
<b>Balance at September 30, 2024</b>					
Total Sales	\$ 16,273,386	\$	9,530,474	\$	25,803,860
Cost of Goods Sold	12,993,279		5,359,660		18,352,939
Gross Profit	\$ 3,280,107	\$	4,170,814	\$	7,450,921
<b>Balance at December 31, 2023</b>					
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
<b>Balance at September 30, 2024</b>					
Property, plant, and equipment	\$ 22,697,886	\$	14,313,775	\$	37,011,661
Intangible Assets	22,330,195		43,856,988		66,187,183
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 September 30, 2024, the fair value of the Ohio Loan is \$11,438,867. 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:

	September 30, 2024	December 31, 2023
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, 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:

<b>Balance at December 31, 2023</b>	<b>\$ 13,056,812</b>
Issuance of new loan	—
Repayments	(815,211)
Interest	721,531
Change in fair value	968,806
Accumulated Other Comprehensive Income	(2,493,071)
<b>Balance at September 30, 2024 (Note 15)</b>	<b>\$ 11,438,867</b>

**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:

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

**22. CONTINGENCIES**

As at September 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 October 31, 2024, the Company granted 50,000 stock options at an exercise price of \$0.35 (CAD \$0.49) per common share and expire on October 31, 2034.
- Subsequent to period ended September 30, 2024, the Company issued an aggregate of 1,722,535 subordinate voting shares upon settlement of 2,679,560 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.