



BZAM Ltd., formerly The Green Organic Dutchman Holdings Ltd.
Unaudited Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023 and March 31, 2022

BZAM Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(expressed in thousands of Canadian dollars, except common shares outstanding.)

	Notes	As at March 31, 2023	As at December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,786	\$ 4,650
Restricted cash	17	427	350
Trade receivables	17	14,734	10,256
Biological assets	8	5,036	4,575
Inventories	9	46,690	52,416
Prepaid expenses and deposits		3,437	3,427
Other current assets	10	1,742	1,760
Due from related parties		654	487
Assets held for sale	4	8,015	9,742
		<u>\$ 82,521</u>	<u>\$ 87,663</u>
Non-current assets			
Property, plant and equipment	6	125,744	129,369
Intangible assets	7	27,661	28,325
Goodwill	7	28,692	28,692
Other assets	10, 16	392	395
Total assets		<u>\$ 265,010</u>	<u>\$ 274,444</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 27,197	\$ 29,511
Sales taxes payable		2,923	1,540
Current portion of loans	5	31,647	5,405
Current portion of lease liabilities	12	1,689	1,455
Liabilities held for sale	4	3,684	3,669
Current portion of contingent consideration	11	19,405	634
		<u>86,545</u>	<u>42,214</u>
Non-current liabilities			
Lease liabilities	12	10,427	10,611
Loans	5	5,000	27,213
Contingent consideration	11	—	16,095
		<u>15,427</u>	<u>53,919</u>
Total liabilities		<u>\$ 101,972</u>	<u>\$ 96,133</u>
Shareholders' equity			
Share capital	13	581,408	578,006
Contributed surplus	14	110,065	109,487
Deficit		(532,477)	(514,201)
Reserve for foreign currency translations		(1,654)	(1,723)
Total Shareholders' Equity attributed to BZAM Ltd.		<u>\$ 157,342</u>	<u>\$ 171,569</u>
Non-controlling interests		<u>5,696</u>	<u>6,742</u>
Total Shareholders' Equity		<u>163,038</u>	<u>178,311</u>
Total Liabilities and Shareholders' Equity		<u>\$ 265,010</u>	<u>\$ 274,444</u>
Total number of common shares outstanding	13	<u>157,240,777</u>	<u>157,137,836</u>
Going concern	2		
Commitments and contingencies	16		
Events after the reporting period	20		

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

BZAM Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(expressed in thousands of Canadian Dollars, except per share amounts.)

	Notes	For the three months ended	
		March 31, 2023	March 31, 2022
Continuing operations			
Revenue		\$ 34,970	\$ 14,353
Excise duties		(10,873)	(3,778)
Net revenue		24,097	10,575
Cost of sales		(20,995)	(6,868)
Gross profit before change in fair value of biological assets		3,102	3,707
Realized fair value adjustment on sale of inventories		(4,603)	(2,435)
Unrealized gain on changes in fair value of biological assets	8	4,460	4,305
Gross profit		\$ 2,959	\$ 5,577
Operating expenses			
Sales and marketing expenses		\$ 3,420	\$ 1,893
Research and development expenses		50	133
General and administrative expenses		8,415	3,918
Share based compensation	14	585	567
Depreciation and amortization	6, 7	2,166	3,527
Total operating expenses		\$ 14,636	\$ 10,038
Loss from operations		(11,677)	(4,461)
Foreign exchange loss		(66)	85
Finance costs		(1,692)	(969)
Accretion expense	5	(325)	(323)
Finance income		8	4
Loss on lease modification		(389)	—
Revaluation loss of contingent consideration	11	(3,535)	(1,360)
Gain/(loss) on disposal of assets		31	(5)
Gain on debt settlement	5	65	—
Impairment charge for non-financial assets		—	(6,183)
Impairment on assets held for sale	4	(1,742)	—
Net loss from continuing operations		\$ (19,322)	\$ (13,212)
Discontinued operations			
Net loss from discontinued operations		—	(294)
Net loss from operations		(19,322)	(13,506)

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

BZAM Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(CONTINUED)
(Unaudited)
(expressed in thousands of Canadian Dollars, except per share amounts.)

	For the three months ended	
	March 31, 2023	March 31, 2022
Other comprehensive loss		
Foreign currency translation loss/(gain)	(69)	509
Comprehensive loss	<u>\$ (19,253)</u>	<u>\$ (14,015)</u>
Net loss attributable to:		
BZAM Ltd.	(18,276)	(13,506)
Non-controlling interests	(1,046)	—
Comprehensive loss attributable to:		
BZAM Ltd.	(18,207)	(14,015)
Non-controlling interests	(1,046)	—
Basic and diluted loss per share	<u>\$ (0.12)</u>	<u>\$ (0.18)</u>
Basic and diluted loss per share - Continuing operations	<u>\$ (0.12)</u>	<u>\$ (0.18)</u>
Weighted average number of outstanding common shares	<u>158,387,789</u>	<u>75,107,448</u>

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

BZAM Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(expressed in thousands of Canadian Dollars, except number of shares.)

	Notes	Share Capital		Contributed Surplus							Non-Controlling Interests	Total
		Common Shares ⁽¹⁾	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Total Contributed surplus	Reserve for foreign currency translations	Accumulated deficit		
Balance, December 31, 2022		157,137,836	578,006	21,243	8,010	80,234	—	109,487	(1,723)	(514,201)	6,742	178,311
Share based compensation	14[a,c]	—	—	585	—	—	—	585	—	—	—	585
Restricted share units exercised during period	13[d]	5,000	7	(7)	—	—	—	(7)	—	—	—	—
Contingent Milestone Escrow shares returned to treasury	13[a]	(7,428,571)	434	—	—	—	—	—	—	—	—	434
BZAM Milestone shares issue	13[b]	1,120,226	426	—	—	—	—	—	—	—	—	426
Escrow shares returned to treasury	13[e]	(93,714)	—	—	—	—	—	—	—	—	—	—
Shares issued in connection with debt repayment	5, 13[c]	6,500,000	2,535	—	—	—	—	—	—	—	—	2,535
Comprehensive loss		—	—	—	—	—	—	—	69	(18,276)	(1,046)	(19,253)
Balance, March 31, 2023		157,240,777	581,408	21,821	8,010	80,234	—	110,065	(1,654)	(532,477)	5,696	163,038

(1) The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio (Note 1). The number of Common Shares in this table reflect that consolidation.

	Share Capital		Contributed Surplus							Non-Controlling Interests	Total	
	Common Shares ⁽¹⁾	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Shares to be issued	Total Contributed surplus	Reserve for foreign currency translations			Accumulated deficit
Balance, December 31, 2021	74,966,065	508,504	21,653	10,375	76,768	40	—	108,836	(969)	(478,697)	(863)	136,811
Issuance of common shares	90,400	102	—	—	—	—	—	—	—	—	—	102
Share based compensation	—	—	567	—	—	—	—	567	—	—	—	567
Restricted share units exercised during period - escrowed	984	40	—	—	—	(40)	—	(40)	—	—	—	—
Shares and warrants issued in connection with debt modification	50,000	50	—	—	—	—	—	—	—	—	—	50
Comprehensive loss	—	—	—	—	—	—	—	—	(509)	(13,506)	—	(14,015)
Balance, March 31, 2022	75,107,449	508,696	22,220	10,375	76,768	—	—	109,363	(1,478)	(492,203)	(863)	123,515

(1) The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio (Note 1). The number of Common Shares in this table reflect that consolidation.

An unlimited number of common shares are authorized for issue.

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

BZAM Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(expressed in thousands of Canadian dollars)

	Notes	For the three months ended	
		March 31, 2023	March 31, 2022
OPERATING ACTIVITIES			
Net loss from operations		\$ (19,322)	\$ (13,506)
Items not affecting cash:			
Impairment of property, plant and equipment		—	6,183
Impairment on assets held for sale	4	1,742	—
Share based compensation	14	585	567
Depreciation of property, plant and equipment	6	1,502	3,184
Amortization of intangible assets	7	664	343
Realized fair value adjustment on sale of inventories		3,468	2,435
Unrealized gain on change in fair value of biological assets	8	(4,460)	(4,305)
Foreign exchange loss		66	(85)
Accretion expense	5	325	323
Revaluation loss of contingent consideration	11	3,535	1,360
Loss (gain) on disposal of assets		(31)	5
Gain on debt settlement		(65)	—
Loss on lease modification		389	—
Provision recorded on inventory	13	3,770	—
Changes in non-cash operating working capital items	15	458	(231)
Net cash used in operating activities		\$ (7,374)	\$ (3,727)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(478)	(283)
Proceeds on disposal of assets		208	74
Transfer to restricted cash	17[c]	(77)	(1,186)
Net cash used in investing activities		\$ (347)	\$ (1,395)
FINANCING ACTIVITIES			
Proceeds from issuance of shares, net of share issue costs		—	102
Proceeds from borrowings, net of costs	5	2,500	—
Interest received		8	4
Interest paid on lease liabilities		(400)	(229)
Interest paid on debt		(891)	(768)
Principal payments of lease liabilities		(233)	(144)
Net proceeds/(repayments) of borrowings under the Revolver Loan	5	3,804	3,853
Net cash provided/(used) by financing activities		\$ 4,788	\$ 2,818
Net cash inflow (outflow)		\$ (2,933)	\$ (2,304)
Net effects of foreign exchange		69	(244)
Cash, beginning of period		4,650	4,930
Cash related to assets held for sale		—	(407)
Cash and cash equivalents, end of period		\$ 1,786	\$ 1,975

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

BZAM Ltd.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022***(Unaudited)**(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)***1. NATURE OF ACTIVITIES**

BZAM Ltd. (“BZAM” or the “Company”), formerly The Green Organic Dutchman Holdings Ltd., was incorporated on November 16, 2016, under the *Canada Business Corporations Act* (“CBCA”). On January 25, 2023 the Company’s board of directors (the “Board”) authorized a change in the Company’s name from “The Green Organic Dutchman Holdings Ltd.” to “BZAM Ltd.” (the “Name Change”). The Name Change took effect at the open of the market on February 23, 2023. The Company is a reporting issuer domiciled in Canada whose common shares (the “Common Shares”) are publicly traded on the Canadian Securities Exchange (“CSE”) under the symbol “BZAM” and on the OTCQX under the symbol “BZAMF”. The Company also has three classes of warrants listed on the CSE under the symbols “BZAM.WR”, “BZAM.WA” and “BZAM.WB”. The Company’s head office is located at 200 Burrard Street, Suite 1570, Vancouver, BC, V6C 3L6, and its registered office is located at Suite 402, 5520 Explorer Road, Mississauga, ON, L4W 5L1. These unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023 and March 31, 2022 (“Interim Consolidated Financial Statements”) include the financial statements of the Company and its subsidiaries from the date the Company gained control of each subsidiary through to the date of disposition (if applicable).

The Company’s wholly-owned Canadian subsidiaries, The Green Organic Dutchman Ltd. (“TGOD”), Galaxie Brands Corporation (“Galaxie”) and BZAM Holdings Inc. (“BZAM Holdings”) are licensed producers under the *Cannabis Act* (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns cannabis cultivation facilities near Hamilton, Ontario (the “Hamilton Facility”), in Edmonton, Alberta (the “Edmonton Facility”), in Midway, British Columbia (the “Midway Facility”), and in Maple Ridge, British Columbia (the “Maple Ridge Facility”). The Company also leases and has operating licences for facilities holding cultivation and processing licences in Puslinch, Ontario (the “Puslinch Facility”), Saanichton, British Columbia (the “Saanichton Facility”) and Pitt Meadows, British Columbia (the “Pitt Meadows Facility”), and had a presence in Valleyfield, Québec (the “Québec Facility”) until December 31, 2022. It moved its Québec operations to a leased facility in Vaudreuil, Québec, which has a cultivation and processing licence, in January 2023.

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing a limited international growth strategy, and has established strategic partnerships for the distribution of cannabis derived medical products primarily focused in Germany.

On November 8, 2022, the Company filed articles of amendment to effect a consolidation (the “Consolidation”) of all of the issued and outstanding Common Shares. Pursuant to the Consolidation, shareholders of the Company received one post-Consolidation Common Share for every ten pre-Consolidation Common Shares they held (the “Consolidation Ratio”). The Consolidation Ratio also applied to the Common Share purchase warrants (the “Warrants”). Accordingly, effective as of the Consolidation date, the holders of Warrants will be entitled to receive one post-Consolidation Common Share on the exercise of ten Warrants. The Consolidation also applied to the stock options and restricted share units outstanding, which were consolidated at the Consolidation Ratio with the exercise price being adjusted to reflect the Consolidation. The number of Common Share amounts discussed within these Interim Consolidated Financial Statements reflect this Consolidation.

2. BASIS OF PRESENTATION**[i] Going concern**

These Interim Consolidated Financial Statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

As of March 31, 2023, the Company had a net working capital deficit of \$4,024 (inclusive of restricted cash of \$427 and the current portion of non-cash contingent consideration of \$19,405) (December 31, 2022 - \$45,449) and an accumulated deficit of \$532,477 (December 31, 2022 - \$514,201). During the three months ended March 31, 2023, the Company has incurred a net loss from continuing operations of \$19,322 (three months ended March 31, 2022 - \$13,212), inclusive of a non-cash impairment charge of \$ nil (three months ended March 31, 2022 - impairment charges of \$6,183). During the three months ended March 31, 2023, the Company used cash in operating activities of \$7,374 (three months ended March 31, 2022 - \$3,727) resulting primarily from the loss from operations of \$19,322 (three months ended March 31, 2022 - \$13,506) offset by non-cash items. The Company has insufficient cash on hand to fund its planned operations. The Company’s ability to continue as a going concern is dependent upon its ability to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient funding to meet its obligations, neither of which is guaranteed to occur. Achieving such revenues, positive cash flows from operating activities or funding may be influenced by matters that are not in the Company’s control, and as such, there is no certainty that such revenues, cash flows, or funding will be realized. In

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

addition, the Company currently does not have any commitments in place that would provide the level of revenues, cash flows, or funding required to provide sufficient funding to meet its obligations.

The Company will need to obtain further funding in the form of asset sales, debt, equity or a combination thereof to continue operations for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If positive operating cash flows are not achieved, debt obligations are not repaid, or adequate funding is not available, the Company will be required to delay, reduce or cease the scope of any or all of its operations. In addition, the terms of the renewed secured revolving credit facility (the “Revolver Loan”) require the Company to satisfy various affirmative and negative covenants and to meet certain future financial tests. A failure to comply with these covenants, including a failure to meet the financial tests, would result in an event of default under the Revolver Loan and if not cured would allow the lender to accelerate the repayment of the debt, which could materially and adversely affect the business, results of operations and financial condition of the Company. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

These Interim Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operating and/or financing activities, the carrying value of the Company’s assets could be subject to material adjustments and other adjustments may be necessary to these Interim Consolidated Financial Statements should such events impair the Company’s ability to continue as a going concern.

[ii] Interim Financial Reporting

These Interim Consolidated Financial Statements have been prepared by management in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). The same accounting policies and methods of computation were followed in the preparation of these Interim Consolidated Financial Statements as those disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2022.

These Interim Consolidated Financial Statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2022 which are made available on SEDAR at www.sedar.com.

These Interim Consolidated Financial Statements were approved and authorized for issue by the Board on May 30, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these Interim Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Consolidated Financial Statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2022, except that a business combination did not occur during the three months ended March 31, 2023 or 2022.

4. ASSETS HELD FOR SALE

Galaxie Assets

As at March 31, 2023, management was committed to a plan to sell certain assets and liabilities acquired by the Company as part of the acquisition of all of the issued and outstanding shares of Galaxie on November 17, 2021 (the “Galaxie Acquisition”). Accordingly, the Company has presented these assets and liabilities as held for sale. Efforts to sell the assets have commenced and a sale is expected within the next twelve months.

As at March 31, 2023, the assets and liabilities were stated at fair value less costs to sell and comprised of the following:

	As at March 31, 2023	As at December 31, 2022
Property, Plant and Equipment	1,923	1,916
Intangible Assets	2,261	2,253
Assets held for sale	4,184	4,169
Lease Liability	3,684	3,669
Liabilities held for sale	3,684	3,669

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Measurement of fair values

The fair value less costs to sell of these assets and liabilities was estimated to be \$500 using a market approach (level 2 on the fair value hierarchy), from a non-binding competitive offer which provided reliable information to determine the fair value of the assets.

Maple Ridge Facility

As at March 31, 2023, management was committed to a plan to sell the Company's cultivation facilities and equipment located at the Maple Ridge Facility that were acquired as part of the Company's acquisition of BZAM Holdings. Accordingly, the Company reclassified these assets as held for sale. Efforts to sell the Maple Ridge Facility have commenced and a sale is expected within the next twelve months of reclassifying the assets held for sale.

As at March 31, 2023, these assets were stated at fair value less costs to sell and comprised of the following:

	As at March 31, 2023	As at December 31, 2022
Land	1,020	1,020
Facilities and capital improvements	2,309	3,740
Production and cultivation equipment	277	448
Furniture and fixtures	136	221
Computer equipment	89	144
Assets held for sale	3,831	5,573

Measurement of fair values

The fair value less costs to sell of the assets and liabilities was estimated to be \$3,831 (December 31, 2022 - \$5,573) using a market approach (level 2 on the fair value hierarchy), from the listing contract entered into subsequent to March 31, 2023, which provided reliable information to determine the fair value of the assets held for sale. The fair value is based on the expected cash proceeds of \$3,950 less expected selling costs of \$119.

Impairment losses related to the disposal group

Impairment losses of \$1,742 for write-downs of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell have been recognized for the three months ended March 31, 2023 (three months ended March 31, 2022, \$Nil).

5. LOANS

The following tables illustrate the continuity schedule and presentation of the Company's loans:

	For the three months ended March 31, 2023		For the year ended December 31, 2022	
Opening Balance	\$	32,618	\$	20,225
Additions		2,500		6,200
Addition through business combination		—		8,391
Deferred financing fee		—		(644)
Accretion		325		1,522
Debt modification		—		(352)
Principal payments		(2,600)		(4,307)
Net proceeds related to the borrowings from and repayments of the Revolver Loan		3,804		1,583
Ending Balance	\$	36,647	\$	32,618

	March 31, 2023		December 31, 2022	
Loans	\$	36,647	\$	32,618
Current portion		(31,647)		(5,405)
Long term portion	\$	5,000	\$	27,213
Revolver Loan	\$	29,147	\$	25,018
Promissory Notes to related parties		2,500		2,600
Mortgage		5,000		5,000
	\$	36,647	\$	32,618

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Unaudited)

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Revolver Loan

The Company entered into the Revolver Loan on April 22, 2020, which was amended and restated on September 29, 2021, and further amended on November 29, 2021 (the “Amended and Restated Agreement”). The Revolver Loan had a credit limit of \$25,000, bore interest at 12% or TD Prime plus 8.05% whichever is higher, with a due date of June 30, 2023. The Company must comply with certain financial covenants as set out in the Amended and Restated Agreement relating to the achievement of positive EBITDA (as defined in the Amended and Restated Agreement).

On March 10, 2022, the Company entered into a second amendment to the Amended and Restated Agreement (the “Second Amendment”) whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from \$25,000 to \$30,000, allow certain eligible inventory to be included as collateral to the Revolver Loan, and relax certain covenants set forth in the Amended and Restated Agreement relating to the Revolver Loan. As consideration for the Second Amendment, the Company issued 50,000 Common Shares measured at a total value of \$50 to the lender.

On April 29, 2022, the Company entered into a third amendment to the Amended and Restated Agreement (the “Third Amendment”), whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from \$30,000 to \$34,000, increase the term portion of the Revolver Loan from \$20,000 to \$24,000, amend the EBITDA financial covenant to take effect June 30, 2022, remove the covenant requiring a \$6,000 prepayment through funds raised by public issuance of equity securities in the Company, remove the covenant requiring a \$4,000 prepayment through funds raised by the sale of HemPoland, and introduce certain prepayment fees in the combined amount of 2% of any prepayments, subject to the satisfaction of the various conditions set out therein.

On November 3, 2022, the Company entered into a fourth amendment to the Amended and Restated Agreement (the “Fourth Amendment”) to incorporate the assets acquired in the acquisition of BZAM Holdings in November 2022, into the security collateral and, amongst other things: (i) remove the reduction of the limit to the revolving portion of the credit facility as a result of prepayment on the term portion of the credit facility; (ii) amend the EBITDA financial covenant to take effect on the month of April 2023; and (iii) extend the maturity date of the credit facility to March 24, 2024. All other terms of the Amended and Restated Agreement not specifically amended remains the same as before. As consideration for the Fourth Amendment, the Company issued to the lender 700,000 warrants to purchase Common Shares at a price of \$0.95 per Common Share for a period of 60 months.

All amendments were accounted for as modifications, not extinguishments of debt.

The Revolver Loan is secured by a first lien over the Hamilton Facility, Edmonton Facility and assets of the Company, including a lien over substantially all of the cannabis and cannabis derived inventories and Canadian trade receivables. As the accounts receivable balance eligible for collateral increases, additional credit is available to the Company up to \$10,000.

As at March 31, 2023, the total principal balance outstanding related to the Revolver Loan was \$30,609 (December 31, 2022- \$26,805). All covenants within the Amended and Restated Agreement were met.

Mortgage Loan

As a part of the Company’s acquisition of BZAM Holdings, a \$5,000 loan (the “BZAM Loan”) held by BZAM Cannabis Corp. (the “Borrower”) which commenced on May 31, 2021 and is secured against the Borrower’s Edmonton Facility property was acquired. The BZAM Loan bears interest at 10.00% per annum and matures on May 31, 2026. Interest is calculated and compounded monthly and payable monthly on the last day of each month. The loan may be prepaid on 30 days’ notice and will include a prepayment fee. The prepayment fee is equal to the greater of (i) three months interest, and (ii) the aggregate amount of the agent’s and lenders’ cost of funds incurred as a result of the prepayment. The loan may be renewed beyond the maturity date for a fee of 2% of the outstanding principal amount owing should the lender agree. Security for the loan includes: (i) a first mortgage over the BCC Property, (ii) a general assignment of rents and leases in respect of the BCC Property, (iii) a general security agreement over all Company’s present and after acquired personal property, and (iv) a corporate guarantee of BZAM Management Inc.

Promissory notes from related parties

On January 3, 2023, a promissory note (the “Galaxie Promissory Note”) in the amount of \$400 that was assumed by the Company in connection with the Galaxie Acquisition was settled in full with 1,000,000 Common Shares of the Company. On the same date a demand promissory note with a company controlled by the majority shareholder of BZAM Holdings Inc. prior to the Company’s acquisition of BZAM Holdings (“Former BZAM Holdings Shareholder”), Stone Pine Capital Ltd. (the “Stone Pine Promissory Note”) in the amount of \$2,200 was settled in full with 5,500,000 Common Shares of the Company. On settlement of these promissory notes the Company recognized a gain on settlement of \$65 in the statement of

BZAM Ltd.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022***(Unaudited)**(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)*

loss and comprehensive loss.

On March 8, 2023, the Company received funds totalling \$2,500 under a demand promissory note with a company controlled by the Former BZAM Holdings Shareholder, Stone Pine Capital Ltd. (the “Second Stone Pine Promissory Note”). The Second Stone Pine Promissory Note bears interest at a rate of 10% per annum and demand can only occur after June 3, 2023. The Second Stone Pine Promissory Note is subordinated to the Revolver Loan.

	Principal note balance	Amortized Cost	Agreement Date	Maturity Date	Terms
Second Stone Pine Promissory Note	2,500	2,500	2022-03-03	On Demand	On demand no earlier than June 3, 2023. 10% interest
Total Promissory Notes to related parties	\$ 2,500	2,500			

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

6. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and fixtures	Production equipment	Leasehold improvements	Computer equipment	Automobiles	Construction in progress	Right-of-use assets	Total
Balance, December 31, 2022	\$ 8,065	\$ 76,516	\$ 465	\$ 72,403	\$ 9,308	\$ 5,305	\$ 1,298	\$ -	\$ 11,954	\$ 185,314
Additions	—	—	—	82	—	62	—	3	282	429
Disposals	—	—	—	(479)	—	—	—	—	—	(479)
Lease modification	—	—	—	—	—	—	—	—	(389)	(389)
Balance, March 31, 2023	\$ 8,065	\$ 76,516	\$ 465	\$ 72,006	\$ 9,308	\$ 5,367	\$ 1,298	\$ 3	\$ 11,847	\$ 184,875
Accumulated depreciation and impairment:										
Balance, December 31, 2022	\$ —	\$ 17,006	\$ 218	\$ 34,225	\$ 585	\$ 1,318	\$ 234	\$ —	\$ 2,359	\$ 55,945
Depreciation	—	745	11	1,728	231	415	18	—	340	3,488
Disposals	—	—	—	(302)	—	—	—	—	—	(302)
Balance, March 31, 2023	\$ —	\$ 17,751	\$ 229	\$ 35,651	\$ 816	\$ 1,733	\$ 252	\$ —	\$ 2,699	\$ 59,131
Net book value, March 31, 2023	\$ 8,065	\$ 58,765	\$ 236	\$ 36,355	\$ 8,492	\$ 3,634	\$ 1,046	\$ 3	\$ 9,148	\$ 125,744

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

7. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets is as follows:

	Health Canada Licences	Technology Licences	Website	Distribution Channels	Brands	Other acquired rights	Goodwill	Total
Cost:								
Balance, December 31, 2022	\$ 11,418	\$ 2,613	\$ 400	\$ 13,400	\$ 5,913	\$ 2,667	\$ 32,631	\$69,042
Additions	—	—	—	—	—	—	—	—
Balance, March 31, 2023	\$ 11,418	\$ 2,613	\$ 400	\$ 13,400	\$ 5,913	\$ 2,667	\$ 32,631	\$69,042
Accumulated amortization and impairment:								
Balance, December 31, 2022	\$ 2,563	\$ 1,712	\$ 260	\$ 160	\$ 3,078	\$ 313	\$ 3,939	\$12,025
Amortization for the period	204	92	14	238	116	—	—	664
Balance, March 31, 2023	\$ 2,767	\$ 1,804	\$ 274	\$ 398	\$ 3,194	\$ 313	\$ 3,939	\$12,689
Net book value, March 31, 2023	\$ 8,651	\$ 809	\$ 126	\$ 13,002	\$ 2,719	\$ 2,354	\$ 28,692	\$56,353

8. BIOLOGICAL ASSETS

As at March 31, 2023, the Company's biological assets consisted of cannabis seeds and cannabis plants. The continuity of the Company's biological assets is as follows:

	Capitalized cost	Biological asset fair value adjustment	Amount
Balance, December 31, 2022	\$ 1,324	\$ 3,251	\$ 4,575
Unrealized gain on changes in fair value of biological assets	—	4,460	4,460
Production costs capitalized	2,420	—	2,420
Transfer to inventories upon harvest	(1,612)	(4,807)	(6,419)
Balance, March 31, 2023	\$ 2,132	\$ 2,904	\$ 5,036

The Company measures its biological assets at their fair values less estimated costs to sell. This is determined using a model which estimates the expected harvest yields in grams for plants currently being cultivated, and then adjusts that amount for the estimated net selling price per gram, waste and also for any additional costs to be incurred, such as post-harvest cost.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Estimated net selling price per gram – calculated as the expected approximate future per gram selling prices of the Company's cannabis products.
- Stage of growth – represents the weighted average number of weeks out of the estimated week growing cycle that biological assets have reached as of the measurement date based on historical experience. The Company accretes fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.
- Yield by plant – represents the expected number of grams of finished cannabis inventories which are expected to be obtained from each harvested cannabis plant based on historical experience.

The inter-relationship between these aforementioned unobservable inputs and the fair-value of the biological assets is such that the carrying value of the biological assets as at March 31, 2023 and December 31, 2022 would increase (decrease) if any of these inputs were to be higher (lower).

Other unobservable, level 3 inputs into the biological asset model include estimated post-harvest costs, costs to complete and wastage. These additional level 3 inputs are not considered to be significant.

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

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

	As at March 31, 2023	As at December 31, 2022	Impact of 10% change as at March 31, 2023	Impact of 10% change as at December 31, 2022
Estimated net selling price per gram (1)	\$1.74 to \$4.73	\$1.16 to \$5.33	\$ 773	\$ 738
Estimated stage of growth	8 to 9 weeks	8 to 9 weeks	\$ 536	\$ 411
Estimated yield of agricultural produce by plant (2)	99 to 139 grams	78 to 149 grams	\$ 545	\$ 492

(1) The estimated net selling price per gram is based on expected market price less excise duties.

(2) The estimated yield varies based on the Company's historical experience adjusted for future changes, if any.

The Company's estimates are, by their nature, subject to change. Changes in the significant assumptions described will be reflected in future changes in the gain or loss on biological assets. There were no changes between fair value hierarchy levels during the three months ended March 31, 2023.

9. INVENTORIES

The Company's inventories include the following as of March 31, 2023 and December 31, 2022:

	As at March 31, 2023	As at December 31, 2022
Raw Materials and Packaging	\$ 5,333	\$ 7,069
Work-in-progress	35,506	39,121
Finished Goods	5,851	6,226
Total Inventories	\$ 46,690	\$ 52,416

During the three months ended March 31, 2023, inventories expensed directly to cost of sales were \$14,121 (three months ended March 31, 2022 - \$4,423).

During the three months ended March 31, 2023, a write-down of inventory of \$3,770 was recognized as an expense including \$1,135 relating to fair value adjustment and \$2,635 expensed directly in cost of sales (three months ended March 31, 2022 - \$0).

10. OTHER ASSETS

A summary of the Company's other assets is presented as follows:

	Notes	As at March 31, 2023	As at December 31, 2022
Term deposits held as letter of credit collateral	16,14[b], 17	133	133
Term deposits not held as letter of credit collateral		100	100
Other	10[a]	1,901	1,922
		2,134	2,155
Less: Current portion		(1,742)	(1,760)
Non current portion		392	395

[a] Other

Other is comprised of deposits paid for goods and services \$876 (December 31, 2022 - \$876), \$929 of other amounts receivable from various non-trade debtors (December 31, 2022 - \$950) and \$96 of other assets (December 31, 2022 - \$96).

11. CONTINGENT CONSIDERATION

Galaxie Contingent Consideration

As part of the purchase price paid in connection with the Galaxie Acquisition in November 2021, the Company issued up to 8,571,429 Common Shares valued at the date of closing of the Galaxie Acquisition at \$5,235 (the "Milestone Shares"). The Milestone Shares were subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). On January 23,

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Unaudited)

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

2023 in accordance with the earn-out provisions relating to the Galaxie Acquisition, the Company released 1,142,857 Milestone Shares from the amount held in escrow for indemnification purposes (the “Indemnity Escrow Account”) to the vendors of the Galaxie shares (the “Vendors”). The Common Shares issued had a fair value of \$434 on the date of issue. A revaluation loss on the contingent consideration of \$114 was recognized up to the date of issuance.

BZAM Contingent Consideration

As part of the purchase price paid or payable in connection with the purchase all of the issued and outstanding shares of BZAM Holdings (“BZAM Transaction”) in November 2022, the Company recognized contingent consideration payable valued at the date of closing of the BZAM Transaction at \$50,552 to be issued in Common Shares (the “BZAM Contingent Milestone Shares”). The BZAM Contingent Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at March 31, 2023, the BZAM Contingent Milestone Shares were revalued to \$19,405 resulting in a loss on revaluation of \$3,309 for the three months ended March 31, 2023. The BZAM Contingent Milestone Shares are to be released no later than January 31, 2024, subject to the achievement of certain financial targets.

BZAM Milestone Shares

As part of the purchase price paid or payable in connection with the BZAM Transaction in November 2022, the Company recognized contingent consideration payable of 1,120,226 Common Shares (the “BZAM Milestone Shares”), valued at the date of closing of the BZAM Transaction at \$771. The BZAM Milestone Shares were subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). On January 23, 2023, pursuant to the provisions of the definitive agreement relating to the BZAM Transaction, upon the release of the 1,142,857 Milestone Shares from the Indemnity Escrow Account, the BZAM Milestone Shares were issued to the Company’s largest shareholder and current Chairman. The BZAM Milestone Shares issued had a fair value of \$426 on the date of issue. A revaluation loss on the contingent consideration of \$112 was recognized up to the date of issuance.

12. LEASES

Below is a summary of the activity related to the Company’s lease liabilities:

	For the three months ended	For the year ended
	March 31, 2023	December 31, 2022
Opening Balance	\$ 12,066	\$ 7,566
Additions	292	2,212
Additions from business combination	—	8,598
Interest on lease liabilities	271	1,164
Interest payments on lease liabilities	(271)	(1,174)
Principal payments on lease liabilities	(242)	(149)
Extinguishment of lease liabilities	—	(2,482)
Reclassification to liabilities held for sale	—	(3,669)
Closing Balance	\$ 12,116	\$ 12,066
Current portion lease liabilities	\$ 1,689	\$ 1,455
Long-term portion lease liabilities	\$ 10,427	\$ 10,611

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

13. SHARE CAPITAL

	For the three months ended March 31, 2023		For the year ended December 31, 2022	
	Number of shares	Amount	Number of shares	Amount
Balance - beginning of period ⁽¹⁾	157,137,836	\$578,006	74,966,065	\$508,504
Issuance of Common Shares	—	—	12,797,900	4,209
Shares issued in connection with debt modification	—	—	50,000	50
Restricted share units exercised during period - escrowed	—	—	984	40
Issuance of common shares in relation to acquisition	—	—	65,522,781	62,247
Contingent Milestone Escrow shares returned to treasury [a]	(7,428,571)	434	—	—
BZAM Milestone Shares issued [b]	1,120,226	426	—	—
Shares issued to settle accounts payable	—	—	93,750	75
Shares issued in connection with debt repayment [c]	6,500,000	2,535	3,486,888	2,266
Restricted share units exercised during period [d]	5,000	7	219,579	615
Escrow shares returned to treasury [e]	(93,714)	—	(111)	—
Balance - end of period	157,240,777	\$581,408	157,137,836	\$578,006

The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio. (Note 1)

⁽¹⁾ Includes 8,571,429 shares that were issued contingent upon certain milestones being achieved in 2022 related to the Galaxie Acquisition.

[i] Authorized

An unlimited number of Common Shares.

[ii] Issued capital

- During the three months ended March 31, 2023, in accordance with the earn-out provisions relating to the Galaxie Acquisition, the Company released 1,142,857 Common Shares from the Indemnity Escrow Account to the Vendors. The Common Shares issued had a fair value of \$434 on the date of issue. The remaining 7,428,571 Common Shares held in the Indemnity Escrow Account were returned to treasury and cancelled.
- During the three months ended March 31, 2023, pursuant to the terms of the definitive agreement for the BZAM Transaction, an aggregate of 1,120,226 Common Shares, being the BZAM Milestone Shares, were issued to the Company's largest shareholder and current Chairman. The BZAM Milestone Shares issued were determined to have a fair value of \$426 on the date of issue.
- During the three months ended March 31, 2023, the Company issued an aggregate of 6,500,000 Common Shares to settle \$2,600 of indebtedness of the Company under the Galaxie Promissory Note and the Stone Pine Promissory Note, pursuant to loan settlement agreements with two of the Company's shareholders. At the date of settlement, the fair value of the shares issued was determined to be \$2,535.
- During the three months ended March 31, 2023, 5,000 Common Shares of the Company, with a total value of \$7, were also issued to certain directors of the Company pursuant to the vesting of restricted share units ("RSUs"). There are no proceeds related to the conversion of such RSUs.
- During the three months ended March 31, 2023, 93,714 Common Shares that were held in escrow as part of the Galaxie Acquisition, were returned to treasury and cancelled.

14. CONTRIBUTED SURPLUS

[a] Share based payments

For the three months ended March 31, 2023, the Company recorded \$549, in non-cash share-based compensation expense pursuant to the grant of stock options (three months ended March 31, 2022 - \$287).

The following is a summary of the changes in options issued pursuant to the Company's employee stock option plan ("ESOP"):

BZAM Ltd.
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

	For the three months ended March 31, 2023		For the year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	8,508,199	\$ 2.75	2,460,800	\$ 10.14
Granted	-	-	8,027,899	0.92
Cancelled/Expired	(1,268,933)	6.00	(1,980,500)	4.48
Outstanding, end of period	7,239,266	\$ 2.18	8,508,199	\$ 2.75
Exercisable, end of period	943,216	\$ 10.73	1,546,549	\$ 10.95

The Company completed a consolidation of Common Shares on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio (Note 1). The number of Common Share options in this note reflects this consolidation.

Grant date	Options Outstanding #	Options Exercisable #	Exercise Price \$	Weighted Average remaining contractual life of outstanding options in years
June 25, 2018 - December 14, 2018	77,500	77,500	\$30.80-\$69.10	0.24-0.71
January 8, 2019 - August 21, 2019	116,000	116,000	\$26.70-\$51.30	0.78-1.39
November 18, 2019	2,700	2,700	\$8.30	1.64
March 13, 2020 - December 21, 2020	424,833	356,489	\$2.60-\$5.10	1.95-2.73
March 12, 2021 - December 20, 2021	408,933	173,527	\$1.10-\$3.60	2.95-3.73
January 24, 2022 - November 25, 2022	6,209,300	217,000	\$0.69-\$1.30	3.82-4.66
Balance, March 31, 2023	7,239,266	943,216		4.22

In determining the amount of share-based compensation, the Company uses the Black-Scholes option pricing model to establish the fair value as at the grant date of options granted. Stock options granted during the respective periods highlighted below were fair valued based on the following weighted average assumptions:

	Weighted average for the three months ended March 31, 2023	Weighted average for the year ended December 31, 2022
	Risk-free interest rate	n/a
Expected dividend yield	n/a	Nil
Expected annualized volatility	n/a	104.59%
Expected life of options (years)	n/a	3.50
Black-Scholes value of each option	n/a	\$0.61

Volatility was estimated by using the historical volatility of the Company. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may also not necessarily be the actual outcome. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based upon the Canada government bonds with a remaining term nearest to the expected life of the options.

[b] Reserve for warrants

The following table reflects the continuity of warrants:

	Number of warrants #	Weighted Average Exercise Price \$	Amount, net of warrant issue costs \$
	Balance, December 31, 2022	27,405,893	2.23
Balance, March 31, 2023	27,405,893	2.23	8,010

As at March 31, 2023, the following warrants were outstanding:

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

Expiry Date	Exercise Price \$	Number of Warrants #
April 1, 2023	3.90	300,000
April 13, 2023	3.90	150,000
April 27, 2023	3.80	1,081,305
May 27, 2024	5.00	50,000
June 12, 2024	5.00	4,571,250
October 23, 2025	3.00	2,487,335
November 2, 2025	3.00	850,000
December 10, 2025	3.50	4,208,503
November 29, 2026	1.40	300,000
November 3, 2027	0.95	700,000
December 22, 2027	0.50	12,707,500
		27,405,893

[c] Restricted share units

Under the Company’s RSU plan (the “RSU Plan”), RSUs may be granted up to a fixed maximum of 10,000,000 Common Shares, which entitle the holder to receive one Common Share without payment of additional consideration at the end of the restricted period, as determined by the Board at the time of the grant. The RSUs vest in tranches based on certain performance conditions being met, with share-based compensation expense being recognized from grant date to the expected performance completion date.

As at March 31, 2023, 345,375 (December 31, 2022 – 350,375) shares of the Company were reserved for issuance under the RSU Plan. For the three months ended March 31, 2023, the Company recorded \$36 in non-cash share-based compensation related to RSU compensation (three months ended March 31, 2022 – \$280).

	For the three months ended March 31, 2023		For the year ended December 31, 2022	
	Number of Units	Weighted Fair Value	Number of Units	Weighted Fair Value
Outstanding - beginning of period	350,375	0.77	465,104	3.00
Granted	-	-	365,000	0.72
Exercised	(5,000)	1.40	(219,579)	2.80
Forfeited	-	-	(260,150)	3.00
Outstanding, end of period	345,375	0.76	350,375	0.77

The accounting fair value of the equity settled RSUs as at the grant date is calculated using the number of RSUs expected to be earned multiplied by the grant date fair market value of a share of a Common Share. Each reporting period, the number of RSUs that are expected to be earned is re-determined and the fair value of these RSUs is amortized over the remaining requisite service period less amounts previously recognized.

[d] Employee Stock Purchase Plan

The Company has established an employee stock purchase plan (the “Stock Purchase Plan”) which created a reserve of 3,000,000 Common Shares that may be issued from treasury. As at March 31, 2023, no securities were issued under the Stock Purchase Plan.

15. SUPPLEMENTARY CASH FLOW INFORMATION

The changes in non-cash working capital items are as follows:

BZAM Ltd.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022***(Unaudited)**(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)*

	For the three months ended	
	March 31, 2023	March 31, 2022
Prepaid expenses and deposits	\$ (10)	\$ (1,423)
Refundable sales taxes receivable	—	(13)
Trade receivables	(4,478)	1,293
Capitalized cost of biological assets	804	1,654
Inventories	3,387	(1,723)
Due from related parties	(167)	(391)
Other current assets	10	53
Other assets	3	1
Accounts payable and accrued liabilities	(474)	99
Sales taxes payable	1,383	219
Total	\$ 458	\$ (231)

16. COMMITMENTS AND CONTINGENCIES

The Company has the following gross contractual obligations as at March 31, 2023, which are expected to be payable in the following respective periods:

	Carrying amount	Contractual cash flows - 12 months ending ⁽¹⁾						
		Total	March 2024	March 2025	March 2026	March 2027	March 2028	Thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	27,197	27,197	27,197	-	-	-	-	-
Sales taxes payable	2,923	2,923	2,923	-	-	-	-	-
Loans	36,647	41,387	35,179	500	500	5,208	-	-
Liabilities held for sale	3,684	10,461	480	480	520	600	600	7,781
Lease liabilities	12,116	18,591	2,050	2,056	1,954	1,968	1,904	8,659
Total contractual obligations	82,567	100,559	67,829	3,036	2,974	7,776	2,504	16,440

⁽¹⁾ Contractual cash flows include expected interest payable until the maturity date.

Please see Note 11 for contingent consideration obligations.

[a] Construction agreements

In prior years, the Company entered into certain agreements with the City of Hamilton to facilitate the construction of the Hamilton Facility. Pursuant to these agreements, as at March 31, 2023, the Company had letters of credit in the amount of \$133 which may be drawn upon in the event of breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates (“GIC”) securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which have been recorded in other assets. As at March 31, 2023, there have been no material breaches as defined by the agreements and no amounts have been drawn on the letters of credit.

[b] Claims and Litigation

From time to time, the Company and/or its subsidiaries may become defendants in legal actions. The Company is subject to an employment related claim by a former employee for which a provision in accounts payable and accrued liabilities has been recognized only to the extent that it is likely to result in future economic outflows.

Other than the claims previously described, the Company is not aware of any other material or significant claims against the Company.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**[a] Fair values**

The Company’s financial instruments were comprised of the following as at March 31, 2023: cash and cash equivalents; restricted cash; trade receivables; due from related parties; certain other current assets; accounts payable and accrued liabilities; lease liabilities; sales taxes payable; loans and contingent consideration.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instruments recorded at amortized cost that the instruments’ fair values approximate their carrying amounts is due to the

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Unaudited)
(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

largely short-term maturities of these instruments.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three months ended March 31, 2023, there were no transfers of amounts between levels (year ended December 31, 2022 – none).

[c] Management of risks arising from financial instruments

[i] Market risk

Foreign currency risk

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at March 31, 2023, a portion of the Company's financial assets and liabilities were held in US dollars and European Euros. The Company has not used foreign exchange contracts to hedge its exposure to foreign currency cash flows for the three months ended March 31, 2023 as management has determined that this risk is not significant at this time.

Interest rate risk

The Company's exposure to interest rate risk relates to any investments of surplus cash as the Company's debt is fixed at a prescribed rate. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at March 31, 2023, the Company had term deposits of \$133 bearing interest of 3.4% (December 31, 2022 - \$133, bearing interest of 3.4%). The Company also has \$350 of restricted cash in a separate account as collateral for corporate credit cards.

[ii] Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, trade receivables, prepaid expenses and deposits, and other assets represents the maximum exposure to credit risk as at March 31, 2023. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with stable, creditworthy parties and through frequent reviews of exposures to individual entities.

The Company assesses the credit risk of trade receivables by evaluating the aging of trade receivables based on the invoice date and credit worthiness. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of loss and comprehensive loss. The Company had three customers whose balances individually were greater than 10% of total trade receivables as at March 31, 2023 (December 31, 2022 – three customers). Customer A accounted for 44%, Customer B accounted for 12% and Customer C accounted for 23% of trade receivables as at March 31, 2023 (December 31, 2022 – Customer A accounted for 36%, Customer B accounted for 15% and Customer C accounted for 23%). Customer A, B and C are provincial government entities. The Company had four customers whose revenues

BZAM Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(Unaudited)

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

individually were greater than 10% of total revenues for the three months ended March 31, 2023. Customer A accounted for 37%, Customer B accounted for 15%, Customer C accounted for 14% and Customer D accounted for 24% of the revenue for the three months ended March 31, 2023. (For the three months ended March 31, 2022 – Customer A accounted for 33%, Customer B accounted for 38% and Customer D accounted for 18% of revenue). Customer A, B, C and D are provincial government entities.

The following tables set forth details of trade receivables, including aging of trade receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:

	March 31, 2023	December 31, 2022
	\$	\$
Total trade receivables	14,734	10,256
Less allowance for expected credit losses	—	—
Total trade receivables, net	<u>14,734</u>	<u>10,256</u>
Of which		
Current	11,409	8,349
31-90 days	2,406	1,447
Over 90 days	919	460
Total trade receivables, net	<u>14,734</u>	<u>10,256</u>

[iii] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due (see note 2(i)). The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements in relation to its current cash balances, maturity schedules and internal budgets. Refer to Note 16 – Commitments and Contingencies.

18. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern (See Note 2[i] – Going Concern). Management defines capital as the Company's shareholders' equity (excluding deficit, contributed surplus and reserve for foreign currency translations) and loans (excluding loan from disposal group). The Board does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders. As at March 31, 2023, total managed capital was comprised of share capital and loans of \$618,055 (December 31, 2022 - \$610,624), contributed surplus of \$110,065 (December 31, 2022 - \$109,487), and reserve for foreign currency translations of \$1,654 (December 31, 2022 – \$1,723). There were no changes in the Company's approach to capital management during the three months ended March 31, 2023 (year ended December 31, 2022 – no changes).

19. OPERATING EXPENSES

The following table presents share-based compensation, depreciation and amortization that have not been allocated by nature on the consolidated statements of loss and comprehensive loss:

	For the years ended	
	March 31, 2023	March 31, 2022
Cost of sales related to inventory production	93	\$ 2,543
Sales and marketing expenses	182	267
Research and development expenses	82	112
General and administrative expenses	2,394	1,172

20. EVENTS AFTER THE REPORTING PERIOD

- a) On May 2, 2023, in accordance with the ESOP, the Company granted options to purchase an aggregate of up to 475,000 Common Shares to certain directors, employees, and consultants of the Company, of which 300,000 options were granted to directors, and 175,000 options were granted to employees and consultants. Each option is exercisable into one Common Share at an exercise price per Common Share equal to \$0.325. The options vest as to 1/3 of the total number of options granted on each of the first, second and third anniversaries of the grant date, and expire five years from the grant date.

BZAM Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

(Unaudited)

(expressed in thousands of Canadian Dollars except per share amounts or as otherwise indicated.)

- b) Pursuant to the terms of the RSU Plan, RSUs representing the right to receive up to an aggregate of 346,154 Common Shares, subject to the satisfaction of certain vesting conditions, were also issued to an officer of the Company on May 3, 2023, as the officer elected to take RSUs instead of cash in lieu of bonus earned for fiscal 2022.
- c) On May 19, 2023, the Company announced a non-brokered private placement for the issuance of 22,222,223 units of the Company (each, a “Unit”) at an issue price of \$0.225 per Unit for gross proceeds of up to approximately \$5,000 (the “Offering”), subject to customary closing conditions including, if applicable, regulatory and Canadian Securities Exchange approvals. Each Unit will consist of one Common Share and one Common Share purchase warrant (each, a “Private Placement Warrant”), with each Private Placement Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$0.40 for a period of three years from the closing date of the Offering, which is expected on or about June 6, 2023.
- d) On May 8, 2023, the Midway Facility was listed for sale at \$3,200.
- e) On May 29, 2023, the Company received a waiver with respect to the EBITDA financial covenant, requiring achievement of positive EBITDA (as defined by the lender), under the Fourth Amendment for its Revolver Loan. Under the waiver, the effective date of the requirement to achieve positive EBITDA was moved from April 30, 2023 to July 31, 2023.