STATEHOUSE HOLDINGS INC.
Unaudited Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023
(Expressed in United States Dollars)

STATEHOUSE HOLDINGS INC.
TABLE OF CONTENTS

PAGE

STATEHOUSE HOLDINGS INC.
NOTICE TO READER

Pursuant to Part 4, Subsection 4.3(3)(a) of National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102"), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements required to be filed under Part 5, Subsection 4.3(1) of NI 51-102, the interim financial statements must be accompanied by a notice indicating that the unaudited condensed interim consolidated financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of StateHouse Holdings Inc. ("StateHouse", or the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of the accompanying unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Management's Responsibility for Financial Reporting

To the Shareholders of StateHouse Holdings Inc. (the "Company"):

The accompanying unaudited condensed interim consolidated financial statements (the "unaudited condensed interim consolidated financial statements") were prepared by management of the Company ("Management") and were reviewed by the Audit Committee of the Company and approved by the Board of Directors of the Company (the "Board").

Management is responsible for the unaudited condensed interim consolidated financial statements and believes that they fairly present the Company's financial condition and results of operations in conformity with International Financial Reporting Standards. Management has included in the Company's unaudited condensed interim consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of the financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These unaudited condensed interim consolidated financial statements were approved by the Board of the Company and were signed on behalf of Management by:

July 31, 2024

/s/ Edward Schmults	*/s/ Kavi Bhai*
Chief Executive Officer	*Chief Financial Officer*

STATEHOUSE HOLDINGS INC.

Unaudited Condensed Interim Consolidated Statements of Financial Position
As At March 31, 2024 and December 31, 2023
(Expressed in United States Dollars, except share amounts)

	Note	March 31, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash		$ 1,117,693	$ 2,429,973
Accounts receivable, net	3	8,895,015	7,458,146
Inventories	4	7,106,911	7,127,259
Biological assets	5	789,105	859,165
Prepaid expenses and other current assets	6	1,985,858	2,161,347
Notes receivable	7	1,689,165	1,991,265
Assets held for sale	11	6,920,174	7,186,649
Total current assets		28,503,921	29,213,804
Property, plant and equipment, net	8	75,151,594	76,426,735
Right-of-use assets	10	11,897,313	12,180,020
Deposits and other assets		126,741	872,286
Due from other entities		2,484,001	2,325,070
Deferred tax asset		2,365,080	2,065,637
TOTAL ASSETS		$ 120,528,650	$ 123,083,552
LIABILITIES			
Current liabilities			
Accounts payable	12	$ 26,126,978	$ 24,340,272
Accrued liabilities, payroll and loyalty rewards program	12	18,156,396	14,937,313
Accrued local and sales taxes	12	7,498,139	4,771,732
Notes payable - current	13	703,943	703,943
Accrued excise, cultivation and property tax liabilities - current	12	17,106,186	17,884,700
Lease liabilities - current	10	1,402,097	1,402,097
Liabilities associated with assets held for sale	11	8,588,327	8,610,746
Income taxes payable - current	19	50,296,365	39,625,437
Provisions - current	18	20,566,541	20,213,224
Total current liabilities		150,444,972	132,489,464
Notes payable, net of current portion	13	44,620,386	44,258,598
Term loan, net of current portion	14	75,492,100	75,351,031
Income taxes payable, net of current portion	17	-	4,300,000
Excise, cultivation and property tax liabilities	15	-	3,024,000
Derivative liabilities	16	8,153,365	4,215,509
Lease liabilities	10	20,806,675	21,126,920
TOTAL LIABILITIES		299,517,498	284,765,522
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	20	228,219,589	228,219,589
Contributed surplus	21	18,805,851	18,267,913
Reserve for warrants	22	1,709,844	1,709,844
Accumulated deficit		(428,934,288)	(411,069,131)
Non-controlling interests		1,210,156	1,189,815
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(178,988,848)	(161,681,970)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		$ 120,528,650	$ 123,083,552

Going concern (Note 2.2)

Commitments and contingencies (Note 25)

Subsequent events (Note 30)

Approved on behalf of the Board of Directors:

Director Director

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

STATEHOUSE HOLDINGS INC.

Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in United States Dollars, except share amounts)
For the Three Months Ended March 31, 2024 and 2023

		For the Three Months Ended	
		March 31, 2024	March 31, 2023
Total revenue, net		25,406,431	$ 24,658,096
Total cost of goods sold		13,592,650	13,730,864
Gross profit before biological asset adjustments		11,813,781	10,927,232
Changes in fair value less costs to sell of biological asset transformation	6	(937,526)	(1,270,428)
Realized fair value amounts included in inventory sold		854,601	1,314,611
Gross profit		11,730,856	10,971,415
Operating expenses			
General and administrative	18	9,150,635	11,468,970
Professional fees		1,706,985	1,942,473
Share-based compensation	21	537,938	795,395
Allowance for expected credit losses		773,139	793,695
Depreciation and amortization	8, 9 & 10	1,118,785	1,774,269
Total operating expenses		13,287,482	16,774,802
Operating income (loss)		(1,556,626)	(5,803,387)
Interest income (expense), net		(4,454,141)	(4,192,404)
Other income (expense), net		172,114	195,197
Gain (loss) on sale of business		458	-
Gain on assignment of non-controlling interests		-	431,428
Fair value (loss) gain in other current assets and derivative liabilities	6 & 16	(3,937,856)	394,515
Foreign exchange gain (loss)		(924,761)	1,940,514
Total other income (expense)		(9,144,186)	(1,230,750)
Net income (loss) before income taxes		(10,700,812)	(7,034,137)
Income tax (expense) benefit	19	(7,164,345.00)	(3,846,138)
Net income (loss)		(17,865,157)	(10,880,275)
Net loss attributable to non-controlling interests		(20,341)	(276,864)
Net income (loss) attributable to StateHouse Holdings Inc.		$ (17,844,816)	$ (10,603,411)
Weighted average number of shares outstanding			
Basic and diluted	24	255,175,119	213,813,888
Net income (loss) per share			
Basic and diluted	24	$ (0.07)	$ (0.05)
Comprehensive income (loss):			
Net income (loss)		$ (17,865,157)	$ (10,880,275)
Comprehensive income (loss) attributable to non-controlling interests		(20,341)	(276,864)
Comprehensive income (loss) attributable to StateHouse Holdings Inc. shareholders		$ (17,844,816)	$ (10,603,411)

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

STATEHOUSE HOLDINGS INC.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the Three Months Ended March 31, 2024 and 2023
(Expressed in United States Dollars, except share amounts)

	Note	Share capital	Contributed Surplus	Warrants	Accumulated Deficit	Subtotal	Non-controlling interests	Equity incl. non-controlling interests
Balance, January 1, 2024		**$ 228,219,589**	**$ 18,267,913**	**$ 1,709,844**	**$ (411,069,131)**	**$ (162,871,785)**	**$ 1,189,815**	**$ (161,681,970)**
Share-based compensation	21	-	537,938	-	-	537,938	-	537,938
Assignment of non-controlling interests		-	-	-	(20,341)	(20,341)	20,341	-
Net income (loss) for the period		-	-	-	(17,844,816)	(17,844,816)	-	(17,844,816)
Balance, March 31, 2024		**$ 228,219,589**	**$ 18,805,851**	**$ 1,709,844**	**$ (428,934,288)**	**$ (180,199,004)**	**$ 1,210,156**	**$ (178,988,848)**

	Note	Share capital	Contributed Surplus	Warrants	Accumulated Deficit	Subtotal	Non-controlling interests	Equity incl. non-controlling interests
Balance, January 1, 2023		**$ 227,564,822**	**$ 15,952,820**	**$ 1,709,844**	**$ (361,243,745)**	**$ (116,016,259)**	**$ 2,901,915**	**$ (113,114,344)**
Share-based compensation	21	-	795,395	-	-	795,395	-	795,395
Expiry of broker warrants	16	-	466,716	(466,716)	-	-	-	-
Assignment of non-controlling interests		-	(140,594)	-	-	(140,594)	140,594	-
Net income (loss) for the period		-	-	-	(10,603,411)	(10,603,411)	(276,864)	(10,880,275)
Balance, March 31, 2023		**$ 227,564,822**	**$ 17,074,337**	**$ 1,243,128**	**$ (371,847,156)**	**$ (125,964,869)**	**$ 2,765,645**	**$ (123,199,224)**

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

STATEHOUSE HOLDINGS INC.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2024 and 2023
(Expressed in United States Dollars, except share amounts)

	Note	For the Three Months Ended March 31, 2024	March 31, 2023
Operating Activities			
Net income (loss) for the period		$ (17,865,157)	$ (10,880,275)
Adjustments to reconcile net loss to cash flow:			
Share-based compensation	21	537,938	795,395
Depreciation and amortization	8, 9 & 10	1,118,785	2,227,605
Right of use asset amortization		533,391	-
Changes in fair value less costs to sell of biological asset transformation	6	937,526	1,270,428
Fair value gain in other current assets and derivative liabilities	16	3,937,856	(394,515)
Provision for expected credit losses, net of recoveries	3	773,139	793,695
Interest income on notes receivable - related party, note receivable and investments and advances	24	(21,706)	(40,122)
Amortization of other current assets and debt issuance costs		707,948	101,168
Accrued interest on lease liabilities	10	567,241	793,380
Loss on disposal of business and property, plant and equipment		(373)	21,529
Loss from sale of business		458	-
Change in assets held for sale		278,563	(179,425)
Foreign exchange (gain) loss		924,761	(1,940,514)
Allowance for inventory obsolescence		(1,410,369)	-
		(8,979,999)	(7,431,651)
Changes in non-cash working capital:			
Accounts receivable, net	3	(2,200,743)	(1,702,046)
Inventories	4	1,447,965	573,202
Biological assets	5	(867,466)	(1,339,378)
Prepaid expenses and other current assets	6	171,270	1,619,922
Notes receivable		323,806	81,000
Due from other entities		(158,931)	(220,069)
Deposits and other assets		745,545	140,000
Accounts payable	12	1,727,369	2,582,459
Accrued liabilities, payroll and loyalty rewards program		3,021,007	-
Accrued local and sales taxes		2,725,542	-
Excise, cultivation and property tax liabilities	15	(3,801,111)	153,322
Income tax payable	19	6,370,928	3,419,714
Provisions	17	353,317	172,466
Accrued interest on note payable		126,078	165,711
Deferred tax asset		-	-
Deferred tax liability	19	(339,939)	426,424
Cash Flows provided by (used in) Operating Activities		664,638	(1,358,924)
Financing Activities			
Repayments of notes payable		(337,123)	-
Payments of principal portion of lease liabilities	10	(1,147,293)	(1,254,719)
Proceeds from sale of fixed assets		223,068	-
Assignment of non-controlling interest		20,341	-
Cash Flows (used in) provided by Financing Activities		(1,241,007)	(1,254,719)
Investing Activities			
Purchases of property, plant and equipment	8	-	(116,500)
Cash Flows (used in) provided by Investing Activities		-	(116,500)
Decrease in cash and restricted cash		(576,369)	(2,730,143)
Effects of foreign exchange on cash and restricted cash		(735,911)	1,950,712
Cash and restricted cash, beginning of period		2,429,973	3,419,112
Cash and restricted cash, end of period		$ 1,117,693	$ 2,639,681
Cash and restricted cash consisted of the following:			
Cash		1,117,693	2,639,681
Restricted cash - interest reserves		-	-
		$ 1,117,693	$ 2,639,681
Supplementary Information			
Cash paid during the period for:			
Interest		$ -	$ 2,639,672
Income taxes		$ -	$ -
Non-Cash Investing and Financing Activities			
Expiry of Broker Warrants		$ -	$ (466,716)

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

1. Nature of Operations

StateHouse Holdings Inc. ("StateHouse" or the "Company"), through its affiliated entities, is a fully licensed, vertically integrated omni-channel California cannabis company, with its business consisting of three primary revenue streams: (i) retail sales, including direct to consumer and delivery, (ii) branded wholesale and manufacturing revenue, including wholesale product sales to dispensary customers and other distributors, "white label" manufactured products for other third-party businesses who typically put their own branding on the product, and revenue from the distribution of products for other cannabis companies, and (iii) cultivation, including the sale and delivery of cannabis in the wholesale market and cultivation management services. The Company operates in and/or has ownership interests in California and Oregon, pursuant to state and local laws and regulations, and is focused on building and maintaining its position as one of California's premier vertically integrated cannabis companies.

As at March 31, 2024, the Company owned and operated a cultivation and production facility in Salinas, California (the "Salinas Production Campus"), and a manufacturing facility in Greenfield, California (the "Greenfield Production Campus").

The Company's high quality integrated seed-to-sale operations are focused on building winning brands which are supported by its omni-channel ecosystem. The Company owns a number of cannabis brands, including: "Dime Bag", "Fuzzies", "Harborside", "Harborside Farms", "Key", "Kingpen", "Kingroll", "Loudpack", "Sublime", "Terpene Station", and "Urbn Leaf". In addition, the Company is exclusively licensed to distribute and sell the "Smokiez" brand in California.

As at March 31, 2024, the Company's retail presence includes the following:

- Four owned and operated Harborside-branded retail dispensaries located in Oakland, San Jose, San Leandro and Desert Hot Springs, California. San Leandro and Desert Hot Springs were listed as held for sale as of March 31, 2024;
- Six owned and operated Urbn Leaf-branded retail dispensaries located in San Diego, San Ysidro, Grover Beach, La Mesa, San Jose and Vista, California. San Jose and La Mesa were listed as held for sale as of March 31, 2024;
- One owned and operated dispensary (LCGLORDIS2 LLC) located in Eugene, Oregon, which was classified as held for sale as of March 31, 2024, and subsequent to year end on April 26, 2024 the sale closed;
- An 80% interest in FGW Haight Inc. ("FGW"), a company which operates a Harborside-branded retail dispensary in the Haight Ashbury district of San Francisco (the "FGW Dispensary"). FGW opened the FGW Dispensary under the Harborside brand in April 2022. On October 27, 2023 (the "Conversion Day"), the Company exercised its call option related to acquire an additional 29.9% interest in FGW. Additionally, the Company converted its $1,265,000 convertible note into an additional ownership of 29.1%. The issuance and conversion increased the Company's interest in FGW to 80%; and
- Direct to consumer retail delivery services which cover the greater San Francisco Bay Area of California (from its Harborside-branded retail stores in Oakland and San Jose) and the Grover Beach and Bay Park areas (from its Urbn Leaf-branded stores in each of these areas).

In addition, on January 9, 2023, the Company entered into a management services agreement with UL Management LLC and PDLP JV, LLC (the "Urbn Leaf WeHo Service Agreement") to manage and operate a dispensary under the Urbn Leaf brand in West Hollywood, California ("Urbn Leaf WeHo"). The Urbn Leaf WeHo Service Agreement has an initial term of five years and is subject to three automatic renewals of five years for a total of 20 years. The Company had a right to acquire a 50% ownership in PDLP JV, LLC for no additional consideration. On December 30, 2022, the Company exercised its right to acquire a 50% ownership in PDLP JV, LLC and is awaiting final approval from the City of West Hollywood, and the Company expects for approval to be finalized during the year ended December 31, 2024.

1. Nature of Operations (continued)

The Company's common shares transitioned to the OTCQB Venture Market (the "OTCQB") after market close of markets on August 18, 2023, from the QTCQX. The Common Shares continued to trade under the symbol "STHZF" on the QTCQB and on the CSE under the symbol "STHZ".

The Company's registered office is located at 40 King St. West, Suite 2100, Toronto, Ontario M5H 3C2, Canada, and the Company's head office is located at 1028 Buenos Ave., San Diego, California 92110, United States.

2. Material Accounting Policy Information

2.1 Statement of Compliance and Basis of Measurement

The Company's unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 - *Interim Financial Reporting*. Certain information and footnote disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), have been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, and the related notes thereto, and have been prepared using the same accounting policies described therein. These accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on July 31, 2024.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, using the historical cost basis, except for certain financial instruments and biological assets, which are measured at fair value.

2.2 Going Concern

As at March 31, 2024, the Company had cash of $1,117,693 and a working capital deficit of $121,941,051. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The Company has experienced recurring operating losses of $1,556,626 and $5,803,387 for the three months ended March 31, 2024, and 2023, respectively, and has an accumulated operating deficit of $428,934,288 as at March 31, 2024. Management anticipates that the Company will continue to incur cash deficits until such time as revenues exceed operating costs, cash interest expense, creditor obligations, capital expenditures, and working capital requirements and the Company is able to complete its restructuring plans, as further described below. These factors create material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's plan for operational continuity includes the implementation of its cost savings plan, and various strategic actions, including (i) negotiating terms of its debt agreements with the Company's lenders, (ii) the divesture of non-core assets including but not limited to the current assets held for sale, and (iii) its ongoing revenue strategies to increase market share and retail, branded wholesale and manufacturing, and cultivation revenue.

During the third quarter of 2023, the Company announced that it had entered into an agreement to extend the repayment date of the Senior Secured Debt (as defined below) and to increase the amount of the Senior Secured Debt (Note 13).

2.2 Going Concern (continued)

The Company's operating plan for fiscal year 2024 estimates that the Company will be able to sustain current operations. However, the Company's cash needs are significant and not achievable with current cash flow. Additionally, management expects to continue to manage the Company's operating expenses and reduce its projected cash requirements through permanently or temporarily closing retail dispensaries that are under performing, and/or implementing other restructuring activities. There are no assurances that the Company will be successful in achieving these goals.

The accompanying unaudited condensed interim consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern. The application of the going-concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful in the future.

2.3 Functional Currency

The functional currency of the Company and each of its subsidiaries is the United States ("U.S.") dollar. Unless otherwise indicated, these unaudited condensed interim consolidated financial statements are presented in U.S. dollars ("$" or "USD"). All references to "C$" or "CAD" pertain to Canadian dollars.

2.4 Basis of Consolidation

These unaudited condensed interim consolidated financial statements incorporate the accounts of the Company and its wholly-owned subsidiaries as follows:

Name	Jurisdiction	Purpose	Percentage Owned (%) March 31, 2024	Percentage Owned (%) December 31, 2023
Statehouse Holdings Inc. (formerly Harborside Inc.)	Ontario, Canada	Parent	100	100
658 East San Ysidro Blvd LLC	California, U.S.	Real Estate Holding Company	100	100
680 Broadway Master, LLC	California, U.S.	Operating Company	100	100
909 West Vista Way LLC	California, U.S.	Real Estate Holding Company	100	100
Accucanna Holdings Inc.	California, U.S.	Holding Company	100	100
Accucanna LLC	California, U.S.	Operating Company	100	100
Accucanna RE, LLC	California, U.S.	Operating Company	100	100
Auric Valley, Inc.	California, U.S.	Holding Company	100	100
Banana LLC	California, U.S.	Operating Company	75	75
Belling Distribution, Inc.	California, U.S.	Operating Company	100	100
Benmore LPFN, LLC	Delaware, U.S.	Holding Company	100	100
Calgen Trading Inc.	California, U.S.	Operating Company	100	100
CDRS Investor LLC	California, U.S.	Holding Company	100	100
CDRS Owner LLC	Delaware, U.S.	Holding Company	100	100
Encinal Productions RE, LLC	California, U.S.	Operating Company	100	100
Evergreen LPFN, LLC	Delaware, U.S.	Holding Company	100	100
FFC1, LLC	California, U.S.	Holding Company	100	100
FGW Haight Inc.	California, U.S.	Operating Company	80	80
FLRish Farms Cultivation 2, LLC	California, U.S.	Operating Company	100	100
FLRish Farms Management & Security Services, LLC	California, U.S.	Management Company	100	100
FLRish, Inc.	California, U.S.	Management Company	100	100
FLRish IP, LLC	California, U.S.	Holding Company	100	100
FLRish Retail, LLC	California, U.S.	Holding Company	100	100
FLRish Retail Management & Security Services, LLC	California, U.S.	Management Company	100	100

(Expressed in United States Dollars, except share amounts)

2.4 Basis of Consolidation (continued)

Name	Jurisdiction	Purpose	Percentage Owned (%) March 31, 2024	Percentage Owned (%) December 31, 2023
Gilded Creek Partners Inc.	California, U.S.	Holding Company	100	100
Greenfield Organix, Inc.	California, U.S.	Operating Company	100	100
Greenfield Prop Owner, LLC	California, U.S.	Real Estate Holding Company	100	100
Greenfield Prop Owner II, LLC	California, U.S.	Real Estate Holding Company	100	100
Haight Acquisition Corporation	Delaware, U.S.	Holding Company	100	100
JLM Investment Group, LLC	California, U.S.	Holding Company	67	67
LGC Holdings USA, Inc.	Nevada, U.S.	Holding Company	100	100
LGC LOR DIS 1, LLC	Oregon, U.S.	Operating Company	100	100
LGC LOR DIS 2, LLC	Oregon, U.S.	Operating Company	100	100
Lineage GCL California, LLC	California, U.S.	Holding Company	100	100
Lineage GCL Oregon Corporation	Oregon, U.S.	Holding Company	100	100
LPF 4th Street, LLC	California, U.S.	Holding Company	100	100
LPF Bellflower, LLC	California, U.S.	Holding Company	100	100
LPF Consulting Group, LLC	California, U.S.	Holding Company	100	100
LPF Michigan LLC	California, U.S.	Holding Company	100	100
LPF Ohio, LLC	California, U.S.	Holding Company	100	100
LPF RE Manager, LLC	California, U.S.	Operating Company	100	100
LP-KP IP Holdings, LLC	California, U.S.	Holding Company	100	100
Lunar Management, LLC	California, U.S.	Holding Company	100	100
Oakland Machining Supply SLB LLC	California, U.S.	Holding Company	100	100
Ocean Ranch LPFN, LLC	California, U.S.	Holding Company	100	100
Patients Mutual Assistance Collective Corporation	California, U.S.	Operating Company	100	100
Redhunt Corporation	California, U.S.	Holding Company	100	100
San Jose Wellness Solutions Corp.	California, U.S.	Operating Company	100	100
San Leandro Wellness Solutions Inc.	California, U.S.	Operating Company	100	100
SaVaCa, LLC	California, U.S.	Holding Company	100	100
Savature Inc.	California, U.S.	Operating Company	100	100
SBC Management LLC	California, U.S.	Management Company	100	100
Sublimation Inc.	Delaware, U.S.	Holding Company	100	100
ULBP Inc.	California, U.S.	Operating Company	100	100
UL Benicia LLC	California, U.S.	Operating Company	70	70
UL Chula Two LLC	California, U.S.	Operating Company	51	51
UL Holdings Inc.	California, U.S.	Holding Company	100	100
UL Kenamar LLC	California, U.S.	Operating Company	100	100
UL Management LLC	California, U.S.	Management Company	100	100
UL San Jose LLC	California, U.S.	Operating Company	100	100
Unite Capital Corp.	Ontario, Canada	Holding Company	100	100
Uprooted, Inc.	California, U.S.	Operating Company	100	100
Uprooted LM LLC	California, U.S.	Operating Company	100	100

The unaudited condensed interim consolidated financial statements as at March 31, 2024 and December 31, 2023 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has "control", as such term is defined in IFRS 10 - *Consolidated Financial Statements* ("IFRS 10"). Entities over which the Company has control are presented on a consolidated basis from the date control commences. Control, as defined by IFRS 10 for purposes of determining the consolidated basis of financial statement presentation exists when the Company is exposed to, or has right to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. All of the Company's consolidated entities were under control, as defined in IFRS 10, by the Company, for purposes of determining the consolidated basis of financial statement presentation, during the entirety of the periods for which their respective results of operations were included in the unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries that it controls after eliminating intercompany balances and transactions.

2.5 Summary of Significant Accounting Policies

The accounting policies applied in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2023.

2.6 Adoption of New Accounting Policies

The Company has not adopted any new standards for the periods presented as of March 31, 2024.

2.7 Financial Instruments

The Company classifies and measures financial instruments in accordance with IFRS 9 - Financial Instruments ("IFRS 9"). On initial recognition, a financial asset is classified as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or amortized cost. Purchases and sales of financial assets are recorded on a settlement date basis.

Subsequent to initial recognition, all investments are measured at fair value. All gains and losses arising from the changes in fair value of investments are presented in the Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) in the period in which the gains or losses arise. The Company will only reclassify a financial asset when the Company changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

i. Financial assets classified at FVTPL

Financial assets are classified as FVTPL if the asset is an equity investment, if the Company has not elected to classify investments as FVTOCI, or if the Company's business model for holding the investment is achieved other than by collecting contractual cash flows and by selling the assets. As at March 31, 2024 and December 31, 2023, the Company did not have any financial assets at FVTOCI.

FVTPL assets are initially recorded at fair value with realized gains and losses on disposition and subsequent changes in fair value recorded in other income (loss). Directly attributable transaction costs are recorded in other income (loss) as incurred.

ii. Non-derivative financial liabilities

Non-derivative financial liabilities are recognized initially on the date the Company becomes a party to the contractual obligations of the financial instrument. All non-derivative financial liabilities are recognized initially at fair value along with directly attributable transaction costs. Subsequent to initial measurement, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

iii. Derivative financial instruments - warrants and stock options

A financial derivative, such as warrants or stock options, which will be settled with Common Shares is classified as an equity instrument if the derivative is to acquire a fixed number of the Company's own equity instruments for a fixed amount of U.S. dollars. The Private Placement Offering Warrants and Pelorus Warrants are classified as a derivative liability and reported at fair value at each reporting period. Gains or losses resulting from the revaluation will be recorded within the Company’s Unaudited Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). Derivative liabilities are disclosed in Note 16 of the financial statements.

2.7 Financial Instruments (continued)

A financial derivative is considered a financial liability at FVTPL if it is used to acquire a variable number of Common Shares and the stock options or warrants were not offered pro-rata to all existing owners of the class of non-derivative equity instruments.

The following table presents the Company's classification of financial assets and financial liabilities as at March 31, 2024:

Financial assets/financial liabilities	Classification
Cash and restricted cash	Amortized cost
Accounts receivable, net	Amortized cost
Prepaid expenses	Amortized cost
Other current assets	FVTPL
Investments and advances	FVTPL
Deposits and other assets	Amortized cost
Due from other entities	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable, net	Amortized cost
Term loan, net	Amortized cost
Excise, cultivation and property tax liabilities	Amortized cost
Derivative liabilities	FVTPL

The Company recognizes a provision for expected credit losses on financial assets that are measured at amortized cost. The Company assumes that the credit risk on a financial asset has increased if it is more than 60 days past due. The Company considers a financial asset to be impaired either when the financial asset is more than 90 days past due, or it is determined that the borrower is unlikely to pay its credit obligations to the Company in full.

The carrying amount of a financial asset is reduced (either partially or in full) if management determines that there is no realistic prospect of recovery. This is generally the case when the Company concludes that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay amounts owed.

The Company assesses information available including, on a forward-looking basis, the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available and reasonable and supportive forward-looking information. For accounts receivable only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, from the dates of the trade receivables, the Company recognizes a loss provision based on lifetime expected credit losses at each reporting date.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive thereunder. The Company assesses information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

2.8 Critical Accounting Estimates and Judgments

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised in any future periods affected. Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are described below.

2.8 Critical Accounting Estimates and Judgments (continued)

Fair value of biological assets and valuation of inventories

Determination of the fair value of biological assets and inventories requires management to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to grow cannabis to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle of such biological assets.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventories and thus any critical estimates and judgments related to the valuation of biological assets are also applicable for inventories. Significant assumptions used in determining the fair value of biological assets include:

* Estimating the stage of growth of cannabis up to the point of harvest;
* Pre-harvest and post-harvest costs;
* Expected selling prices;
* Expected yields for cannabis plants to be harvested; and
* Wastage of cannabis plants at various stages.

The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for inventories. The Company must also determine if the cost of any inventories exceeds its net realizable value ("NRV"), such as instances where prices have decreased, or inventories have spoiled or otherwise been damaged. The Company estimates the NRV of inventories, considering the most reliable evidence available at each reporting date.

The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and impact gross profit.

Provision for expected credit losses ("ECL")

Determining a provision for ECLs for accounts receivable held at amortized cost requires management to make assumptions about the historical patterns for the probability of default, timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Estimated useful lives of depreciation and amortization of property, plant and equipment

Depreciation and amortization of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts which consider factors such as economic conditions, market conditions and the useful lives of assets.

Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit ("CGU") is the greater of its fair value less costs to sell or its value in use. If the carrying amount of an asset or a CGU exceeds its recoverable amount, an impairment charge is recognized immediately as a loss for the amount by which the carrying amount of the asset exceeds the recoverable amount.

2.8 Critical Accounting Estimates and Judgments (continued)

Compound financial instruments

The conversion feature and warrants denominated and exercisable in a foreign currency are accounted for as derivative liabilities as their fair value is affected by changes in the fair value of Common Shares and in response to changes in foreign exchange rates. The estimates, assumptions and judgments made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The conversion feature and warrants denominated and exercisable in a currency other than the Company's functional currency are required to be measured at fair value at each reporting period.

The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the Company's stock price, expected dividend yield, and expected life.

Income taxes

Income taxes and tax exposures recognized in the unaudited condensed interim consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. The Company recognizes a liability when, based on its estimates, it anticipates a future income tax payment.

The difference between an expected amount and the final tax outcome has an impact on current and deferred taxes in the period when the Company becomes aware of a difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses.

When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Provisions

The Company recognizes provisions if there is a present obligation (legal or constructive) that has arisen as the result of a past event, it is probable that the Company will be required to settle the obligation and the obligation can be reliably estimated. The Company's provision as at March 31, 2024 and December 31, 2023 relates to uncertain tax positions under Internal Revenue Code §280E ("IRC §280E") for Patients Mutual Assistance Collective Corporation ("PMACC") and San Jose Wellness Solutions Corp. ("SJW"), permanent and temporary differences on the Company's federal income tax returns and underpayments of federal income tax liabilities.

Many of the central issues relating to the interpretations of IRC §280E remain unsettled, and there are critical accounting issues regarding the allocation of expenses to the cost of goods sold (thus avoiding disallowance as deductions under IRC §280E). The Company evaluated these uncertain tax treatments, using a probability-weighted approach to assess the range of possible outcomes as required in its adoption of IFRIC 23 - *Uncertainty over Income Tax Treatment* ("IFRIC 23") and, although the Company strongly disagrees with the positions taken by the Internal Revenue Service ("IRS") and the findings of the U.S. Tax Court, it has determined that a reserve for uncertain tax position should be recorded for all years subject to statutory review. On July 28, 2022, the Company entered into a partial payment and installment agreement with the IRS (the "IRS Agreement") in relation to a portion of the uncertain tax positions for PMACC (Note 17). The amount recognized as a provision reflects the Company's obligations due under the IRS Agreement and management's best estimate of the consideration required to settle the remaining uncertain tax positions at the reporting date, considering the risks and uncertainties surrounding the obligation.

2.9 New, Amended, and Future IFRS Pronouncements

The Company has implemented all applicable IFRS standards recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact on the Company have been excluded in these unaudited condensed interim consolidated financial statements.

No material impact is expected upon the adoption of the following new standards issued:

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1 - *Classification of Liabilities as Current or Non-current*. These amendments clarify the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Pursuant to the new requirements, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. These amendments are effective for annual periods beginning on or after January 1, 2024, with early application permitted.

IFRS 16 - Lease Liability in a Sale and Leaseback

The IASB has issued narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 explaining how a seller-lessee accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or a rate are most likely to be impacted. These amendments are effective for annual periods beginning on or after January 1, 2024, with early application permitted. Because the Company does not currently utilize any sale and leaseback transactions, this amendment is not expected to have a material impact on the financial reports of the Company.

IAS 7 and IFRS 7 - Supplier Finance Arrangements

On May 25, 2023, the IASB issued the amendments to IAS 7 and IFRS 7, which requires disclosures of supplier finance arrangements and their impact to a company's liquidity risk. The amendment requires a company to disclose: the terms and conditions; the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet; ranges of payment due dates; and liquidity risk information. These amendments are effective for annual periods beginning on or after January 1, 2024, with early application permitted. Because the Company does not currently utilize any supplier finance arrangements, this amendment is not expected to have a material impact on the financial reports of the Company.

IAS 21- Lack of Exchangeability

The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. These amendments are effective for annual periods beginning on or after January 1, 2025, with early application permitted.

Because the Company only operates in the United States and Canada, between which the exchange of currency is well-established, this amendment is not expected to have a material impact on the unaudited condensed interim consolidated financial statements of the Company.

(Expressed in United States Dollars, except share amounts)

2.9 New, Amended, and Future IFRS Pronouncements (continued)

IFRS 18 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which will replace IAS 1, *Presentation of Financial Statements*, and is effective for reporting periods beginning January 1, 2027. IFRS 18 will change the presentation of the Company's financial statements and add new disclosure requirements. Specifically, the new standard requires: The consolidated income statement to be structured according to operating, investing and financing categories, and include additional subtotals for "Operating Profit" and "Profit Before Financing and Income Taxes"; Management-defined performance measurements ("MPM's"), which represent certain of the Company's non-IFRS measures, to be identified, defined, and have an explanation why each one is useful. Each MPM must be reconciled to the most directly comparable IFRS subtotal. All disclosures related to MPM's must be disclosed in a single footnote within the consolidated financial statements; and the application of enhanced guidance related to the grouping of financial information associated with amounts presented within the financial statements, otherwise known as aggregation or disaggregation. In addition, the IASB issued amendments to IAS 7, *Statement of Cash Flows*, to align the presentation of the statement of cash flows, as prepared under the indirect method, to the changes prescribed to the income statement under IFRS 18. The Company has not yet assessed the impact of IFRS 18 and related amendments to IAS 7 on its disclosures.

Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures.* The amendments are effective for reporting periods beginning January 1, 2026. The amendments: (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion; (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement environment, social and governance targets); and (d) update the disclosures for equity instruments designated at fair value through other comprehensive income. The Company has not yet assessed the impact of these amendments on its financial results and disclosures.

3. Accounts Receivable, net

The Company's accounts receivable, net was comprised of the following as at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Trade receivables	$ 15,437,057	$ 13,150,714
Sales tax receivables	65,701	42,018
Total	15,502,758	13,192,732
Provision for credit loss	(6,607,743)	(5,734,586)
Total accounts receivable, net	$ 8,895,015	$ 7,458,146

The Company provides trade credit to its wholesale and manufacturing customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk for these customers is assessed on a quarterly basis and a provision for expected credit losses is recorded where required.

The Company does not offer extended payment terms to its retail customers. Retail transactions are paid for at the point of sale. Accordingly, credit risk from retail customers is limited to outstanding balances due from debit card processors. As at March 31, 2024 and December 31, 2023, there was $303,027 and $287,636, respectively, outstanding from debit card processors that is included in trade receivables. The Company assesses the risk of collectability of accounts receivable on a quarterly basis.

(Expressed in United States Dollars, except share amounts)

3. Accounts Receivable, net (continued)

Activity in the provision for expected credit losses was as follows:

	March 31, 2024	December 31, 2023
Balance, beginning of period	$ 5,734,586	$ 2,908,583
Provision for expected credit losses assumed in acquisitions	-	-
Current period additions to provision for expected credit losses	773,139	3,222,939
Amounts reversed	-	(396,936)
Balance, end of period	$ 6,507,725	$ 5,734,586

Amounts reversed includes $296,918 of net receivables that were reclassified to assets held for sale as of December 31, 2023.

The Company's aging of accounts receivable was as follows as at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Current	$ 4,198,714	$ 3,138,645
1 - 30 days	1,808,028	1,556,129
31 - 60 days	1,429,710	778,489
61 - 90 days	922,744	654,692
Over 90 days	7,143,562	7,064,777
Total	$ 15,502,758	$ 13,192,732

4. Inventories

The Company's inventory was comprised of the following items as at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Raw materials	$ 578,103	$ 1,148,129
Work-in-process	2,546,712	1,703,004
Finished goods	3,982,096	4,276,126
Total	$ 7,106,911	$ 7,127,259

During the three months ended March 31, 2024 and the year ended December 31, 2023, inventory expensed to cost of goods sold was approximately $5,681,000 and $11,945,000, respectively. Management determined net realizable value as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete a sale. There was no impairment for excess and obsolete inventory recorded during the three months ended March 31, 2024 and 2023, respectively.

5. Biological Assets

The changes in the carrying value of biological assets was as follows:

	March 31, 2024	December 31, 2023
Balance, beginning of period	$ 859,165	$ 441,144
Costs capitalized	3,259,653	11,380,292
Changes in fair value less costs to sell due to biological asset transformation	(937,526)	(1,619,201)
Transferred to inventory upon harvest	(2,392,187)	(9,343,070)
Balance, end of period	$ 789,105	$ 859,165

Biological assets as at March 31, 2024 and December 31, 2023 include an allocation of depreciation of $172,704 and $130,984, respectively.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and the expected selling price less costs to sell per gram.

(Expressed in United States Dollars, except share amounts)

5. Biological Assets (continued)

The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. The following inputs and assumptions are all categorized within Level 3 on the fair value hierarchy and were used in determining the fair value of biological assets:

Inputs and assumptions	Description	Correlation between inputs and fair value
Average selling price per gram	Represents the average selling price per gram of dried cannabis net of excise taxes, where applicable, for the period for all strains of cannabis sold, which is expected to approximate future selling prices.	If the average selling price per gram was higher (lower), estimated fair value would increase (decrease).
Average attrition rate	Represents the weighted average number of plants culled at each stage of production.	If the average attrition rate was lower (higher) estimated fair value would increase (decrease).
Weighted average yield per plant	Represents the weighted average number of grams of dried cannabis inventory expected to be harvested from each cannabis plant.	If the weighted average yield per plant was higher (lower), estimated fair value would increase (decrease).
Standard cost per gram to complete production	Based on actual production costs incurred divided by grams produced in the period.	If the standard cost per gram to complete production was lower (higher), estimated fair value would increase (decrease).
Weighted average effective yield	Represents the estimated percentage of harvested product that meets specifications in order to be sold as a dried cannabis product.	If the weighted average effective yield was higher (lower), the estimated fair value would increase (decrease).
Stage of completion in production process	Calculated by taking the weighted average number of days in production over a total average grow cycle of approximately thirteen weeks.	If the number of days in production was higher (lower), estimated fair value would increase (decrease).

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

		As at March 31, 2024			As at December 31, 2023		
	Assumptions:	Input	10% change		Input	10% change	
i	Weighted average of expected loss of plants until harvest [a]	7%	$	5,757	5%	$	4,841
ii	Expected yields (dry grams of cannabis per plant) [b]	83 grams	$	78,653	85 grams	$	86,296
iii	Weighted average number of growing weeks completed as a percentage of total growing weeks as at year-end	38%	$	78,653	44%	$	86,296
iv	Estimated selling price (per gram) [c]	$1.08 per gram dried flower $0.00 per gram dried trim	$	109,124	$0.87 per gram dried flower $0.00 per gram dried trim	$	119,583
v	After harvest cost to complete and sell (per gram)	$0.30 per gram dried flower $0.00 per gram dried trim	$	30,471	$0.26 per gram dried flower $0.00 per gram dried trim	$	33,287

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

		As at March 31, 2023		
	Assumptions:	Input	10% change	
i	Weighted average of expected loss of plants until harvest [a]	0%	$	-
ii	Expected yields (dry grams of cannabis per plant) [b]	33 grams	$	3,154
iii	Weighted average number of growing weeks completed as a percentage of total growing weeks as at year-end	91%	$	3,154
iv	Estimated selling price (per gram) [c]	$0.49 per gram dried flower $0.04 per gram dried trim	$	5,514
v	After harvest cost to complete and sell (per gram)	$0.23 per gram dried flower $0.02 per gram dried trim	$	2,360

[a] Weighted average of expected loss of plants until harvest represents loss from plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

(Expressed in United States Dollars, except share amounts)

5. Biological Assets (continued)

[b] Expected average yields for cannabis plants vary based on the mix of strains and number of plants existing at each reporting date. As at March 31, 2024 and December 31, 2023, it was expected the Company's biological assets would yield 35 and 36 grams of dried flower per plant, respectively, and 50 and 49 grams of dried trim per plant, respectively.

[c] The estimated selling price (per gram) represents the actual average sales price for the Company's strains sold as bulk products.

The Company estimates the harvest yields for cannabis at various stages of growth. As at March 31, 2024 and December 31, 2023, it is expected that the Company's biological assets will yield approximately 1,866,082 and 2,840,271 grams of dry cannabis flower, respectively, and 2,689,588 and 3,061,055 grams of dry trim, respectively, when harvested. The fair value adjustments on biological assets are presented separately in the Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological asset

6. Prepaid Expenses and Other Current Assets

As at March 31, 2024 and December 31, 2023, prepaid expenses and other current assets were comprised of the following:

	March 31, 2024	December 31, 2023
Excise taxes	$ 116,770	$ 122,030
Insurance and rent	873,472	1,190,838
Advances made to suppliers and consultants	40,406	-
Taxes and fees	102,011	37,583
Licenses and other	734,230	639,273
Other prepaid expenses	118,969	171,623
Total prepaid expenses and other current assets	$ 1,985,858	$ 2,161,347

7. Notes Receivable

On April 16, 2021, UL Holdings Inc. ("Urbn Leaf") entered into a membership interest repurchase agreement (the "Membership Interest Repurchase Agreement") with 2220 NBC, LLC ("NBC"). Pursuant to the terms of the Membership Interest Repurchase Agreement, NBC agreed to repurchase Urbn Leaf's 33.3% membership interest for $1,150,000.

On March 1, 2022, pursuant to the terms of a definitive agreement dated November 29, 2021, between the Company, Urbn Leaf, Saturn Merger Sub Inc. and Momentum Capital Group, LLC, in its capacity as the representative of the shareholders of Urbn Leaf, the Company acquired 100% of the equity interest of Urbn Leaf (the "Urbn Leaf Acquisition"). The note receivable associated with the Membership Interest Repurchase Agreement was assumed in connection with the Urbn Leaf Acquisition. The note receivable accrues interest at a rate of 10% per annum on the outstanding daily unpaid principal amount. Initial payments on the note receivable began on January 1, 2022. Payments are to be made following a five-year amortization schedule of equal monthly payments following the initial payment date. As at March 31, 2024, principal and accrued interest amounted to $1,019,109. The Company assesses the risk of collectability of accounts receivable on a quarterly basis. As at March 31, 2024, the Company has fully reserved a provision for expected credit losses of $1,019,109, but will continue to pursue the amounts owed.

7. Notes Receivable (continued)

On March 24, 2022, the Company entered into a settlement agreement (the "Altai Settlement Agreement") with Altai Partnership, LLC ("Altai"). Pursuant to the terms of the Altai Settlement Agreement, Altai agreed to pay an aggregate of $1,250,000 to the Company to settle amounts owed by Altai in connection with advances that had been made by the Company in relation to a binding letter of intent for the Company's acquisition of Lucrum Enterprises Inc. d/b/a LUX Cannabis Dispensary ("LUX") in 2019. In April 2022, the Company received the first installment payable by Altai pursuant to the terms of the Altai Settlement Agreement, in the amount of $500,000. On May 1, 2022, the Company and Altai entered into a convertible secured promissory note (the "Altai Note") for the remaining $750,000 owed pursuant to the terms of the Altai Settlement Agreement. The principal owed under the Altai Note is payable over 36 months beginning on May 15, 2022. As at March 31, 2024, the outstanding principal owed under the Altai Note amounted to $698,000

On February 23, 2023, the Company entered into a settlement agreement (the "Fang Settlement Agreement") with Alexander Fang ("Mr. Fang") and Sublime Concentrates, Inc. Pursuant to the terms of the Fang Settlement Agreement, Mr. Fang is required to make certain cash payments in the amount of $550,000 to the Company in exchange for the release of any claims in connection with Alexander Fang v. Sublime Machining, Inc. and Sublime Concentrates, Inc. v. Sublime Machining Inc. (Note 26).

The amounts owed pursuant to the terms of the Fang Settlement Agreement are payable by Mr. Fang on the following schedule: $50,000 paid within 45 days of the release, $425,000 payable in installments of $7,083 beginning on April 15, 2023, until March 15, 2028, and a $75,000 balloon payment due on April 15, 2028. Late payments bear interest at 10% per annum. As at March 31, 2024, the outstanding principal owed under the Fang Settlement Agreement was $422,080.

On August 21, 2023, the Company entered into an agreement to sell the ownership interest in UL Visalia, of which the Company owned an 80% ownership interest. UL Visalia held a Cannabis Retailer License in the State of California and a local authorization to conduct a cannabis business in the unincorporated area of Tulare County, California. The sale of the 80% ownership interest of UL Visalia closed on December 22, 2023 for a total of $400,000 of which $15,000 was paid in cash and the remaining consideration of $385,000 is held in a note receivable by UL Holdings. The note receivable is to be received in $5,000 payments each month. As of the three months ended March 31, 2024 and the year ended December 31, 2023, $365,000, was outstanding on the Visalia Note Receivable and is held by UL Holdings, Inc.

On October 11, 2023, the Company entered into an agreement to sell its license and operations of its Urbn Leaf-branded retail dispensary located in Grossmont for an aggregate purchase price of $725,000. The Buyer shall pay the purchase price in the form of ready-for-sale cannabis flower and assumed liabilities. The Company recognized the remaining consideration outstanding within notes receivable. As at March 31, 2024 and December 31, 2023, there was an outstanding balance of $377,900 and $660,000.

Notes receivable are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for expected credit losses. As at March 31, 2024 and December 31, 2023, the Company recognized a provision for expected credit losses on notes receivable of $0 and $1,345,069, respectively.

(Expressed in United States Dollars, except share amounts)

8. Property, Plant and Equipment, net

As at March 31, 2024 and December 31, 2023, the Company's net property, plant and equipment, including construction in process ("CIP") consisted of the following:

	Land	Retail and Agricultural Buildings	Agricultural and Manufacturing Equipment	CIP	Furniture, Fixtures, and Equipment	Leasehold Improvements	Total
At Cost							
As at December 31, 2022	$ 20,162,718	$ 50,500,156	$ 11,032,673	$ 822,570	$ 7,376,290	$ 10,973,113	100,867,520
Additions	-	103,250	-	890,683	45,644	27,349	1,066,926
Disposals and transfers	(239,275)	(1,314,375)	-	(31,466)	(110,168)	(2,514,268)	(4,209,552)
Reclass on completed construction	-	52,919	-	(291,682)	-	56,799	(181,964)
Reclassification to held for sale	-	-	-	-	(265,384)	(1,912,320)	(2,177,704)
As at December 31, 2023	19,923,443	49,341,950	11,032,673	1,390,105	7,046,382	6,630,673	95,365,226
Additions	-	-	-	147,676	-	-	147,676
Disposals and transfers	-	-	-	-	(124,813)	-	(124,813)
Reclass on completed construction	-	-	-	-	-	-	-
Reclassification to held for sale	-	-	-	-	-	-	-
As at March 31, 2024	$ 19,923,443	$ 49,341,950	$ 11,032,673	$ 1,537,781	$ 6,921,569	$ 6,630,673	$ 95,388,089
Accumulated depreciation							
As at December 31, 2022	-	4,429,110	5,982,785	-	2,381,687	1,117,838	$ 13,911,420
Additions	-	-	-	-	-	-	-
Disposals and transfers	-	(311,351)	-	-	(24,010)	(567,992)	(903,353)
Depreciation expense	-	2,392,991	1,542,045	-	1,171,710	1,168,469	6,275,215
Reclass on completed construction	-	1,611	225,585	-	7,660	(147,890)	86,966
Reclassification to held for sale	-	-	-	-	(192,719)	(239,038)	(431,757)
As at December 31, 2023	-	6,512,361	7,750,415	-	3,344,328	1,331,387	18,938,491
Additions	-	-	-	-	-	-	-
Disposals and transfers	-	-	-	-	-	-	-
Depreciation expense	-	376,869	438,618	-	288,888	233,236	1,337,611
Reclassification	-	-	-	-	-	-	-
Reclassification to held for sale	-	-	-	-	-	(39,607)	(39,607)
As at March 31, 2024	$ -	$ 6,889,230	$ 8,189,033	$ -	$ 3,633,216	$ 1,525,016	$ 20,236,495
Net Book Value							
As at December 31, 2023	$ 19,923,443	$ 42,829,589	$ 3,282,258	$ 1,390,105	$ 3,702,054	$ 5,299,286	$ 76,426,735
As at March 31, 2024	$ 19,923,443	$ 42,452,720	$ 2,843,640	$ 1,537,781	$ 3,288,353	$ 5,105,657	$ 75,151,594

* Reclassification includes the amounts transferred to assets held for sale (Note 11).

Depreciation expense relating to property, plant and equipment for the three months ended March 31, 2024 and 2023 was as follows:

	March 31, 2024	March 31, 2023
Cost of goods sold - wholesale	$ 325,539	$ 453,336
Expenses	1,012,072	1,183,164
Total depreciation and amortization relating to property, plant and equipment	$ 1,337,611	$ 1,636,500

9. Intangible Assets and Goodwill

As at March 31, 2024 and December 31, 2023, the Company's intangible assets were fully impaired and therefore had a $0 balance. The Company did not recognize amortization expense for the three months ended March 31, 2024 and 2023.

(Expressed in United States Dollars, except share amounts)

10. Right-of-use Assets and Lease Liabilities

Right-of-use Assets

As at March 31, 2024 and December 31, 2023, the Company's right-of-use assets consisted of the following:

		Right-of-use Assets - Buildings
Cost		
Balance as at December 31, 2023	$	17,584,665
Transferred to assets held for sale (Note 11)		54,862
Balance as at March 31, 2024	$	17,639,527
Accumulated amortization		
Balance as at December 31, 2023		5,404,645
Transferred to assets held for sale (Note 11)		(134,439)
Amortization expense		472,008
Balance as at March 31, 2024	$	5,742,214
Net book value		
As at December 31, 2023	$	12,180,020
As at March 31, 2024	$	11,897,313

* Reclassification includes the amounts transferred to assets held for sale as at March 31, 2024 (Note 11).

Lease Liabilities

The Company's lease liabilities consist of various real property leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. There were no new leases during the three months ended March 31, 2024.

The following is a summary of the activity in the Company's lease liabilities for the three months ended March 31, 2024:

Ending lease liability as at December 31, 2023	$	21,126,920
Additions		5,415,799
Lease payments		(1,428,947)
Transferred to assets held for sale (Note 11)		(3,619,100)
Interest expense		714,100
Ending lease liability as at March 31, 2024	$	22,208,772
Less: current portion		(1,402,097)
Non-current lease liabilities	$	20,806,675

The maturity of contractual undiscounted lease obligation payments are as follows:

Due within one year	$	5,047,685
Due within one to five years		17,766,290
Due after five years		19,199,517
Total undiscounted lease liabilities		42,013,492
Less interest		(21,206,817)
Total present value of minimum lease payments	$	20,806,675

The Company also leases office and other retail space from related parties (Note 25). The Company recognized no material expenses related to short-term leases and leases of low-value assets for the three months ended March 31, 2024 and 2023.

(Expressed in United States Dollars, except share amounts)

11. Assets and Liabilities Held for Sale

The Company has been actively marketing certain rights and interests in non-core assets of the Company, including cannabis licenses in non-core geographies within California and selected retail operations in Oregon and California. The Company classified the assets as held for sale and measured the assets at the lower of its carrying value of fair value less costs to sell.

The Company did not recognize any impairment loss associated with assets held for sale as at March 31, 2024.

Changes in the carrying amount of assets and liabilities held for sale was as follows:

Assets held for sale		
Balance as at December 31, 2023	$	7,186,649
Transferred in/(out)		(266,475)
Total assets held for sale as at March 31, 2024	$	6,920,174
Liabilities associated with assets held for sale		
Balance as at December 31, 2023	$	8,610,746
Transferred in/(out)		(22,419)
Total liabilities held for sale as at March 31, 2024	$	8,588,327

The Company executed a non-binding term sheet for the sale of the membership interests of Uprooted LM, UL San Jose LLC, San Leandro Wellness Solutions, Inc., and Accucanna, LLC. Although the terms of the agreement are non-binding, the Company expects to execute the sale during the third quarter of fiscal 2024. Thus, the entities' assets and liabilities are included in the assets and liabilities held for sale balances.

The Company entered into an Agreement for Sale and Purchase with Addisian LLC for the sale of the membership interests of LORDIS2 LLC (also "Terpene Station") located in Oregon. The sale was finalized on April 26, 2024. As such, the entity's assets and liabilities are included in the assets and liabilities held for sale balances.

		March 31, 2024		December 31, 2023
Accounts receivable, net	$	121,401	$	130,763
Inventories		513,035		530,283
Prepaid expenses and other current assets		159,227		157,655
Property, plant and equipment, net		1,788,143		1,854,940
Right-of-use assets		4,158,388		4,333,028
Deposits and other assets		179,980		179,980
Assets held for sale	$	6,920,174	$	7,186,649
Accounts payable and accrued liabilities	$	3,285,884	$	3,167,577
Accrued liabilities, payroll and loyalty rewards program		1,007,096		89,943
Excise, cultivation and property tax liabilities		14,248		-
Income taxes payable		661,999		-
Lease liabilities		3,619,100		5,353,226
Liabilities associated with assets held for sale	$	8,588,327	$	8,610,746

(Expressed in United States Dollars, except share amounts)

12. Accounts Payable, Accrued Liabilities, and Excise, Cultivation and Property Tax Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

The Company's accounts payable and accrued liabilities consist of the following as at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Accounts payable	$ 26,126,978	24,340,272
Accrued local and sales taxes	7,498,139	4,771,732
Accrued liabilities	14,116,254	11,369,314
Accrued payroll	2,899,394	2,469,326
Accrued loyalty rewards program	1,140,748	1,098,673
Excise, cultivation and property tax liabilities - current	17,106,186	17,884,700
Excise, cultivation and property tax liabilities, net of current portion	-	3,024,000
Total accounts payable and accrued liabilities	$ 68,887,699	$ 64,958,017

13. Notes Payable

The notes payable consists of the following as at March 31, 2024:

Carryover Notes	$ 29,486,138
Senior Secured Debt	15,000,000
ACS Agreements	219,855
Seaside Note	240,000
Urbn Leaf - UL Visalia LLC	247,943
SBC Private loans	100,000
Vehicle financings	30,393
Total notes payable	$ 45,324,329
Current Notes Payable	(703,943)
Total notes payable - Long-Term	$ 44,620,386

The loan fees associated with obtaining the notes payable are recorded as a reduction to the carrying amount and are being amortized as interest expense. As at March 31, 2024 and 2023, there were no unamortized deferred financing costs.

Carryover Notes

On April 4, 2022, pursuant to the terms of a definitive agreement dated November 29, 2021, between the Company, LPF JV Corporation ("Loudpack"), LPF Merger Sub, Inc. and LPF Holdco, LLC, the Company acquired 100% of the equity interest of Loudpack (the "Loudpack Acquisition").

In connection with the Loudpack Acquisition, the Company assumed the Senior Carryover Notes and the Junior Carryover Notes (collectively, the "Carryover Notes"). The Carryover Notes were a result of the amended and restated master debenture supplement agreement (the "Supplement Agreement") dated April 4, 2022, between Loudpack and Acquiom Agency Services, LLC as Collateral Agent and Administrative Agent. The Supplement Agreement amended and restated the original agreement for the remaining existing debentures leaving a remaining principal amount of $17,000,000 for the Senior Carryover Notes and $8,000,000 for the Junior Carryover Notes. The Carryover Notes bear interest at 9%. Interest and principal owed under the Carryover Notes are due on April 4, 2025.

Senior Secured Debt

In December 2020, Urbn Leaf received a loan ("Senior Secured Debt") in the amount of $5,400,000. The Senior Secured Debt originally matured on December 21, 2022, at which time all outstanding principal plus an additional fee of $2,079,000 was due. Monthly payments were interest only with a variable interest rate of the higher of 12.5% or the prime rate plus 9%.

13. Notes Payable (continued)

The Senior Secured Debt is secured by certain collateral, pursuant to the terms of a credit and guarantee agreement dated December 21, 2021, between Urbn Leaf and Seventh Avenue Investments, LLC.

On December 21, 2022, the Company entered into the first omnibus amendment of the loan agreement to extend the maturity date of the Senior Secured Debt to January 20, 2023. On January 20, 2023, the Company entered into the second omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to February 28, 2023.

On February 9, 2023, the lenders assigned a portion of the Senior Secured Debt to Pelorus Fund REIT, LLC ("Pelorus") pursuant to the terms of a loan purchase agreement dated February 9, 2023.

On February 28, 2023, Company entered into the third omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to April 20, 2023.

On April 20, 2023, the Company entered into the fourth omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to May 22, 2023. On May 19, 2023, the Company entered into the fifth omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to June 5, 2023. On June 5, 2023, the Company entered into the sixth omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to June 19, 2023.

On June 19, 2023, the Company entered into the seventh omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to July 3, 2023. On July 3, 2023, the Company entered into the eighth omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to July 17, 2023.

On July 17, 2023, the Company entered into the ninth omnibus amendment of the loan agreement (the "Ninth Amendment") to further extend the maturity date of the Senior Secured Debt to July 31, 2023. On July 31, 2023, the Company entered into the tenth omnibus amendment of the loan agreement to further extend the maturity date of the Senior Secured Debt to February 10, 2027 and increase the amount of the Senior Secured Debt by $7,521,000, bringing the total principal amount of the Senior Secured Debt to $15,000,000. The Senior Secured Debt bears interest at a rate of one month Secured Overnight Financing Rate ("SOFR"), plus 12.5%, with a SOFR floor of 4.5%.

The Senior Secured Debt is subject to certain debt service ratio requirements, interest reserves, cross-corporate guarantees and defaults, subordination agreements and intercreditor agreements, along with a general corporate guaranty from the Company.

As consideration for entering into the Ninth Amendment, the Company granted 136,258,279 common share purchase warrants to Pelorus, amounting to 40% of the Senior Secured Debt. Please refer to Note 13.

The Company is actively engaged in discussions with its lenders in an effort to improve the financial position and capital structure of the Company. As part of the discussions, beginning February 2024, the Company made partial interest payments on the monthly interest balances due.

Urbn Leaf Note

On July 23, 2021, Urbn Leaf completed a bridge financing whereby it issued a $5,200,000 secured promissory note (the "Urbn Leaf Note") to SUB CCP Urbn, LLC. The Urbn Leaf Note bore interest at a rate of 15% per annum with principal and accrued interest due and payable on December 31, 2021, or earlier, depending on timing of certain events as set out in the Urbn Leaf Note, but subject to certain extension provisions set out in the promissory note.

13. Notes Payable (continued)

Urbn Leaf had the option to extend the maturity date of the Urbn Leaf Note by 60 days which extended the maturity date of the Urbn Leaf Note to February 28, 2022 (the "Initial Extension"). The Initial Extension triggered an extension fee equal to 1% of the outstanding principal amount plus all accrued interest thereon for every 30 days that the maturity date was extended. Following the Initial Extension, Urbn Leaf exercised its option to extend the maturity date of the Urbn Leaf Note by an additional 60 days, which extended the maturity date of the Urbn Leaf Note to April 30, 2022 (the "Second Extension"). The Second Extension triggered an extension fee equal to 1% of the outstanding principal amount plus all accrued interest for every 30 days that the maturity date was extended.

On April 29, 2022, the Company repaid the Urbn Leaf Note as follows: (i) a cash payment in the amount of $358,541; and (ii) the issuance of approximately $5,870,000 worth of SVS at a price of C$0.45 per SVS (16,660,993 SVS). The Company recorded a loss on debt extinguishment of $105,324 in the accompanying Unaudited Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

ACS Agreements

On November 1, 2019, and February 27, 2022, Loudpack entered into certain secured promissory notes (collectively, the "ACS Agreements"). The November 1, 2019, note was in the amount of $1,100,065, payable over 60 monthly installments of $24,749 beginning on or before December 1, 2019 until the principal and interest have been paid in full. Any unpaid principal and interest are due and payable on December 1, 2024. The February 27, 2022, note was in the amount of $276,650, payable over 60 monthly installments of $6,213 beginning on or before March 1, 2020 until the principal and interest have been paid in full. Any unpaid principal and interest are due and payable on March 1, 2025. The ACS Agreements were assumed by the Company in connection with the Loudpack Acquisition, which closed on April 4, 2022. The ACS Agreements bear interest at a rate of 12.5%.

Seaside Note

On May 18, 2022, the Company entered into an agreement with the Company's former partner (the "Seaside Agreement") to acquire a further 50% ownership interest in its Seaside, California retail dispensary (Note 26). The Seaside Agreement and the additional interest acquired by the Company was the result of a legal settlement with the Company's former partner in the Seaside retail dispensary. As a result, the total cost of the additional interest was $440,000, with $100,000 to be paid upfront (the "First Installment") and the balance payable over seven years, with $50,000 being paid on the first and sixth anniversaries of the First Installment and $40,000 being paid on the seventh anniversary of the First Installment.

On August 26, 2023, the Company elected not to renew the cannabis license and closed operations of the Seaside dispensary and recognized a loss of $741,644 in other income (expense) on the Consolidated Statement of Loss and Comprehensive Loss.

Urbn Leaf - Lafayette Street

The membership interests of Lafayette were acquired in exchange for the Lafayette Note. Pursuant to the terms of the Lafayette Note, Urbn Leaf paid $500,000 in the form of a down payment, with the remaining $2,000,000 to be paid in equal installments over a period of 24 months. On March 13, 2023, the Company entered into the Lafayette Membership Assignment.

Pursuant to the Lafayette Membership Assignment, the Company assigned its 90% interest in Lafayette back to the other remaining partners and made a $120,000 payment for back rent owed on the property in exchange for satisfaction of the Lafayette Note (Note 10 and 21).

13. Notes Payable (continued)

Urbn Leaf - UL Visalia LLC

On July 30, 2019, Urbn Leaf acquired a 80% membership interest in UL Visalia LLC ("UL Visalia"), and Urbn Leaf satisfied the consideration payable for such acquisition with two initial payments of $250,000 each, and the remaining $500,000 being an unsecured and non-interest bearing loan to be paid by Urbn Leaf pursuant to the terms of a second amendment to the memorandum of understanding, which does not specify a definitive repayment date.

SBC Private loans

In May 2017, SBC Management LLC ("SBC") borrowed $100,000 from an individual at an interest rate of 12% per annum, pursuant to the terms of an unsecured loan (the "Second SBC Loan"). Pursuant to the terms of the Second SBC Loan, Urbn Leaf was required to make interest payments of $1,000 per month until May 9, 2022, at which time the principal balance owed under the Second SBC Loan would become due. The Second SBC Loan was assumed by the Company in connection with the Urbn Leaf Acquisition, which closed on March 1, 2022. On May 19, 2022, the Company entered into a third amendment to the promissory note extending the maturity date and principal repayment to May 9, 2023. On May 25, 2023, the Company entered into a fourth amendment to the promissory note extending the maturity date and principal repayment to May 9, 2024.

In August 2017, SBC borrowed $50,000 from the same individual at an interest rate of 12% per annum, pursuant to the terms of an unsecured loan (the "Third SBC Loan"). Pursuant to the terms of the Third SBC Loan, Urbn Leaf was required to make interest payments of $500 per month until August 16, 2022, at which time the full principal balance owed under the Third SBC Loan would become due. The Third SBC Loan was assumed by the Company in connection with the Urbn Leaf Acquisition, which closed on March 1, 2022. On May 19, 2022, the Company entered into a third amendment to the promissory note extending the maturity date and principal repayment to May 9, 2023. On May 15, 2023, the Company repaid the principal and accrued interest under the Third SBC Loan totaling $50,000.

Vehicle financings

In connection with the Loudpack Acquisition, the Company assumed four vehicle financing notes (the "Vehicle Financing Notes") for its distribution operations. The Vehicle Financing Notes mature at various dates through October 2024, with interest rates of up to 6.34%.

14. Term Loan

On November 29, 2021, in connection with the intended acquisitions of Urbn Leaf and Loudpack, the Company announced that it signed a non-binding term sheet with Pelorus and on February 10, 2022, the Company and Pelorus entered into a loan and security agreement (the "Pelorus Loan Agreement") whereby Pelorus agreed to provide an aggregate of approximately $77,300,000 of debt financing (the "Term Loan") which would be used primarily to retire certain existing loans, including the senior secured revolving credit facility (the "Facility"), and provide additional working capital to the Company, Urbn Leaf and Loudpack.

Pursuant to the terms of the Pelorus Loan Agreement, the Term Loan was funded in two tranches, with the first occurring prior to closing of the Urbn Leaf Acquisition and the Loudpack Acquisition, and the second tranche funded to the Company post-closing of the Loudpack Acquisition.

The first tranche was funded in three separate loans, with a loan to each of Urbn Leaf, Loudpack and the Company. The Company received approximately $15,500,000, Loudpack received approximately $16,400,000 and Urbn Leaf received approximately $13,500,000 of the aggregate funds under the first tranche. From its share of the proceeds of the Term Loan, the Company repaid the $12,000,000 outstanding under the Facility. On April 8, 2022, the Company received approximately $31,950,000 from the second tranche.

(Expressed in United States Dollars, except share amounts)

14. Term Loan (continued)

The Term Loan contains a nominal interest rate of 10.25% and requires monthly interest payments until the maturity date. The Company is obligated to make principal payments in the amount of 7.5% of the then outstanding balance on both the 36th and 48th payment dates. The remaining principal of the Term Loan is due on the maturity date of February 10, 2027.

The Term Loan is subject to debt service ratio requirements, interest reserves, certain cross-corporate guarantees and defaults, subordination agreements and intercreditor agreements, along with a general corporate guaranty from the Company and is secured by certain real estate assets, cannabis licenses and other assets of the Company, Urbn Leaf and Loudpack.

On January 31, 2024, the Company entered into the eleventh omnibus agreement of the loan agreement to correct a scrivener's error that erroneously indicated the requirement of a $1,000,000 pre-payment on February 1, 2024.

The loan fees associated with the Term Loan are recorded as a reduction to the carrying amount and are being amortized as interest expense within the unaudited condensed interim consolidated financial statements over the five-year term.

As at March 31, 2024, the outstanding balance less unamortized deferred financing costs was $75,492,100. As at March 31, 2024, unamortized deferred financing costs amounted to $1,807,827.

The Company is actively engaged in discussions with its lenders in an effort to improve the financial position and capital structure of the Company. As part of the discussions, beginning February 2024, the Company made partial interest payments on the monthly interest balances due. [JS2] [MOU3]

15. Excise, Cultivation and Property Tax Liabilities

The Company has various payment plans with the California Department of Tax and Fee Administration ("CDTFA") related to excise and cultivation taxes. As at March 31, 2024, the Company had $17,106,186 accrued for the excise and cultivation tax liabilities, of which approximately $15,121,830 related to penalties. The Company will apply with the CDTFA for relief of related penalties when the balance of principal and interest is paid in full.

In July 2022, Greenfield Organix entered into a term sheet with the City of Greenfield (the "City of Greenfield Note") for $2,500,000 related to prior year property tax obligations. The City of Greenfield applied credits for tax amounts already paid amounting to $388,182 and the Company paid $260,000 in July 2022 upon executing such term sheet. The remaining tax amount of $2,000,000 is payable over 36 equal monthly installments beginning on July 1, 2022. The first 12 monthly payments on the outstanding balance are interest free after which time, the balance will bear interest at a rate of 3% per annum. As at March 31, 2024 and December 31, 2023, the City of Greenfield Note amounted to $772,118 and $923,102, respectively.

16. Derivative Liabilities

The following table provides a reconciliation of the beginning and ending balance of derivative liabilities and the change in fair value of derivative liabilities:

	Warrant Liabilities
Balance as at December 31, 2023	$ 4,215,509
Change in fair value of derivative liabilities	3,937,856
Balance as at March 31, 2024	$ 8,153,365

16. Derivative Liabilities (continued)

Private Placement Offering Warrants

On February 18, 2021, the Company issued warrants to purchase SVS ("SVS Warrants") and warrants to purchase MVS ("MVS Warrants") (collectively, the "Private Placement Offering Warrants"), in connection with an upsized brokered private placement of units. The Private Placement Offering Warrants are classified as a liability based on the fixed-for-fixed criterion under IAS 32 - *Financial Instruments: Presentation*. As a result of the Mandatory Conversion and Reclassification, the MVS Warrants are now exercisable to acquire Common Shares using the corresponding amount of Common Shares using a ratio of 100 Common Shares per MVS. As a result of the Reclassification, the SVS Warrants are now exercisable to acquire Common Shares using the corresponding amount of Common Shares.

The Company used the Monte Carlo Model to estimate the fair value of the derivative liabilities at issuance and at each reporting date. The Monte Carlo Model uses certain Level 2 inputs in its valuation model. Level 2 inputs are 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 from observable market data) from observable market data.

The key Level 2 inputs used by management to determine the fair value are: (i) the expected future volatility in the price of the Company's Common Shares, (ii) the risk-free interest rate, and (iii) the expected life of the instruments.

The risk-free interest rate is based on data from the Federal Reserve Statistical Release and is extrapolated for interim periods. The expected lives are based on the expected lives of the instrument. Volatility was calculated by using the stock price returns from comparable public companies as there was insufficient trading history in the Company's shares. On February 2024, the Private Placement Offering Warrants expired, unexercised.

Pelorus Warrants

As discussed previously in Note 13, in conjunction with an Amendment, the Company granted 136,258,279 common share purchase warrants to Pelorus (the "Pelorus Warrants"), amounting to 40% of the Senior Secured Debt. The Pelorus Warrants are exercisable for a period of three years, with an exercise price that is adjusted based on a weighted-average dilution basis. Pelorus is prohibited from exercising the Pelorus Warrants if, upon exercise, Pelorus would beneficially own greater than 9.99% of the outstanding Common Shares of the Company. The Pelorus Warrants cannot be transferred to another party without the consent of the Company, unless the transfer is to an affiliate of Pelorus, or the Company is found to be in default of the Senior Secured Debt.

The Company holds an option to acquire (the "Call Option") the Pelorus Warrants at a 30% premium to the then current aggregate exercise price for all of the underlying Common Shares. The Company is required to provide Pelorus with at least 25 days' prior written notice of any prepayment of the Senior Secured Debt. Such prepayment notice shall include notice to Pelorus of whether the Company will elect or not elect to exercise the Call Option. Absent a prepayment in full of the Senior Secured Debt, the Company is required to provide Pelorus with written notice of whether it will elect or not to elect to exercise the Call Option at least 25 days prior to the maturity date of the Senior Secured Debt.

The Company also granted Pelorus an option to sell (the "Put Option"), so long as the Pelorus Warrants have not been exercised, the Pelorus Warrants to the Company at a 30% discount to the then current exercise price. Pelorus may exercise the Put Option by providing written notice to the Company at least 15 days prior to the prepayment or maturity date of the Senior Secured Debt. If Pelorus fails to exercise the Put Option during such time period, the Put Option will be deemed void ab initio.

The Company used the Black-Scholes-Merton option valuation model to estimate the fair value of the derivative liabilities at issuance and at each reporting date. The Black-Scholes-Merton model uses certain Level 3 inputs in its valuation model. Level 3 inputs are unobservable inputs (i.e., a reporting entity's or other entity's own data). The key level 3 inputs used by management to determine the fair value are: (i) the expected future volatility in the price of the Common Shares and (ii) the risk-free interest rate, and (iii) the expected life of the instruments. The risk-free interest rate is based on data from the Federal Reserve Statistical Release and is extrapolated for interim periods. The expected lives are based on the expected lives of the instrument. Volatility was calculated by using the stock price returns from comparable public companies as there was insufficient trading history in the Common Shares.

(Expressed in United States Dollars, except share amounts)

16. Derivative Liabilities (continued)

	March 31, 2024	December 31, 2023
Risk-free interest rate	3.50%	3.10%
Exercise price - CAD	C$0.05	C$0.05
Call price- CAD	C$0.065	C$0.065
Put price- CAD	C$0.035	C$0.035
Share price - CAD	C$0.035	C$0.035
Expected volatility	127.00%	124.00%
Expected remaining life	4.33 years	4.58 years
Fair value - USD	$0.03	$0.03

17. Provisions

IRC §280E

Certain subsidiaries of the Company operate in the cannabis industry and are subject to IRC §280E, which prohibits businesses engaged in the trafficking of controlled substances (including cannabis as specified in Schedule I of the Controlled Substances Act) from deducting ordinary and necessary business expenses. This results in permanent tax differences resulting from normal business expenses which are deemed non-allowable under IRC §280E. Many of the central issues relating to the interpretation of IRC §280E remain unsettled, and there are critical tax accounting issues regarding the allocation of expenses to the cost of goods sold (thus avoiding disallowance as deductions under IRC §280E). IFRIC 23 provides guidance that adds to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The Company evaluated these uncertain tax treatments, using a probability-weighted approach to assess the range of possible outcomes as required in its adoption of IFRIC 23 and, although it strongly disagrees with the positions taken by the IRS and the findings of the U.S. Tax Court, the Company has determined that a reserve for an uncertain tax position should be recorded for all years subject to statutory review.

The Company engaged external counsel to negotiate the settlement and subsequent payment of its potential liabilities under IRC §280E. On July 28, 2022, the Company entered into the IRS Agreement for PMACC's corporate tax returns for the fiscal years ended July 31, 2007 through July 31, 2012, described below, and the year ended December 31, 2020.

The Company does not expect any liabilities or payments resulting from the fiscal year 2016 case or SJW cases, as described below, to be resolved within 12 months of the issuance of these unaudited condensed interim consolidated financial statements. The Company has recorded an uncertain tax position based on the unknown outcome of the settlement discussions. As at March 31, 2024 and December 31, 2023, the reserve totaled $20,566,541 and $20,213,224, respectively, a sum which includes the IRS Agreement and the separate tax proceedings described below.

PMACC

PMACC was involved in two separate tax proceedings. The first, *PMACC v. Commissioner*, was an appeal to the United States Court of Appeals for the Ninth Circuit of an adverse U.S. Tax Court decision that was issued on November 29, 2018. In that decision, the U.S. Tax Court disallowed PMACC's allocation of certain expenses to cost of goods sold, holding that they were instead deductions barred by IRC §280E. At issue were PMACC's corporate tax returns for the fiscal years ended July 31, 2007, through July 31, 2012.

The U.S. Tax Court held that the expenses were ordinary and substantiated business expenses but, because PMACC's business consists of trafficking in a Schedule I controlled substance, the expenses must be disallowed. On October 21, 2019, after a review process under Rule 155, the U.S. Tax Court determined that PMACC's total liability was $11,013,237 plus accrued interest. In its ruling, the U.S. Tax Court rejected the assertion of penalties by the IRS, finding that the unsettled state of the law and the fact that PMACC acted reasonably and in good faith, meant that penalties under IRC §6661(a) would be inappropriate. Accordingly, management had not included penalties in the estimated provision. In December 2019, PMACC appealed the U.S. Tax Court decision to the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit"), which heard oral arguments in the case on February 9, 2021, and affirmed the U.S. Tax Court decision on April 22, 2021.

(Expressed in United States Dollars, except share amounts)

17. Provisions (continued)

Through the IRS Agreement, the Company is resolving the tax proceeding described above and the uncertain position for the year ended December 31, 2021, through the payment of approximately $5,800,000 to be made through $50,000 per month payments over an expected period of 116 months, beginning in August 2022. The monthly payment amount is subject to IRS review every two years. With each review, the payments may adjust up or down depending on PMACC's ability to pay at that time. The Company does not anticipate that these biennial reviews will result in a material increase to the payment plan pursuant to the IRS Agreement. In December 2022, the Company received a notice of default related to an underpayment of federal taxes for PMACC related to fiscal year 2021. As at March 31, 2024, the Company has accrued for all outstanding amounts and continues to make the installment payments under the IRS Agreement.

In a second U.S. Tax Court proceeding related to deductions barred by IRC §280E, the IRS issued a notice of deficiency disallowing all deductions taken in their entirety and asserting that PMACC owed $16,035,218 in additional taxes and penalties for fiscal 2016. The Company filed its initial petition in this case to the U.S. Tax Court on February 13, 2020. The IRS proposed a deficiency in tax of $13,362,682, of which the Company has accrued $4,303,183 in the current period.

The U.S. Tax Court had stayed active litigation in this matter pending the Ninth Circuit's rendering a decision referenced above. With the adverse decision in the Ninth Circuit in April 2021, the stay is no longer in effect. External counsel for PMACC is in discussions with the IRS in respect to this matter.

SJW

SJW is involved in two separate tax proceedings. The first involves the 2010, 2011, and 2012 tax years, and in this case, the IRS asserted a tax deficiency of $2,120,215. The second proceeding involves the 2014 and 2015 tax years and in the second case the IRS asserted that SJW owed an additional $2,064,363 in taxes and penalties. Both proceedings involve substantially the same issues as the PMACC cases.

On February 17, 2021, the U.S. Tax Court ruled in favor of the Commissioner of Internal Revenue with respect to the cases for SJW. The Company appealed the U.S. Tax Court decisions on May 14, 2021. In an effort to resolve the matter as part of a global settlement, the Company has withdrawn its appeal.

Changes in the carrying amount of the provision for the three months ended March 31, 2024 were as follows:

Balance as at December 31, 2023	$	20,213,224
Interest accrued		353,317
Balance as at March 31, 2024	$	20,566,541

18. General and Administrative Expenses

For the three months ended March 31, 2024 and 2023, general and administrative expenses consisted of the following:

		March 31, 2024		March 31, 2023
Advertising and promotion	$	358,212	$	417,445
Banking and processing fees		1,335,748		1,194,249
Other general administrative		17,691		46,387
Office and general expenses		2,414,534		2,878,216
Salaries and benefits		4,729,593		6,230,610
Sales and marketing		42,739		75,770
Taxes and licenses		186,952		565,180
Travel and entertainment		65,166		61,113
Total	$	9,150,635	$	11,468,970

(Expressed in United States Dollars, except share amounts)

19. Income Taxes

StateHouse is treated as a U.S. corporation for U.S. federal income tax purposes under IRC §7874 and is subject to U.S. federal income tax. However, for Canadian tax purposes, the Corporation is expected, regardless of any application of IRC §7874, to be treated as a Canadian resident company (as defined in the ITA) for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the U.S. Notwithstanding the foregoing, it is management's expectation that StateHouse's activities will be conducted in such a manner that income from operations will be not subject to double taxation.

The Company's income tax expense and (benefit) allocated for the three months ended March 31, 2024 and 2023 was as follows:

	March 31, 2024		March 31, 2023	
Current tax	$	7,463,788	$	3,419,714
Deferred tax		(299,443)		426,424
Income tax expense (benefit)	$	7,164,345	$	3,846,138

The net tax provision differs from that expected by applying the U.S. federal tax rate of 21.0% to net loss before income taxes mainly due to limitations on the deductibility of certain expenses for tax purposes under IRC §280E as well as fair value adjustments for biological assets and derivative liabilities.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

Deferred tax assets and liabilities have been offset where they related to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in the net deferred tax liabilities during the three months ended March 31, 2024, was as follows:

	March 31, 2024	
Balance, beginning of period	$	(2,065,637)
Recognized in loss		(299,443)
Balance, end of period	$	(2,365,080)

20. Share Capital

The following is a reconciliation of the issued and outstanding shares of the Company as at March 31, 2024 and December 31, 2023:

	Common Shares (formerly SVS)
Balance, December 31, 2022	252,488,436
Issuance of new shares	3,463,229
Shares surrendered	(19,778)
Balance, December 31, 2023	255,931,887
Issuance of new shares	238,677
Balance, March 31, 2024	256,170,564

During the three months ended March 31, 2024, the Company issued 238,677 shares for vested RSUs.

On October 27, 2023, the Company issued 1,170,584 common shares pursuant its purchase of an additional interest in FGW (Note 7).

(Expressed in United States Dollars, except share amounts)

20. Share Capital (continued)

During the year ended December 31, 2023, the Company issued an additional 2,292,645 shares for vested RSUs.

21. Contributed Surplus

Stock Options

Prior to June 30, 2020, the Company maintained an equity incentive plan (the "Old Plan") whereby certain key employees, officers, directors, consultants and advisors could be granted stock options, RSAs, RSUs, share appreciation rights, performance compensation awards, dividend equivalents and other share-based awards of the Company.

The stock options which were awarded under the Old Plan vest on a graded-vesting schedule, generally, over a two-year period and expire 10 years after the grant date. The Company uses a graded vesting schedule to record compensation expense, which results in greater compensation expense earlier in the vesting period after an award is granted. All stock options granted are settled in Common Shares.

If an employee terminates employment with the Company prior to awards vesting, the unvested awards are forfeited and the historical compensation expense for unvested options is reversed in the period of termination.

On June 30, 2020, the Company adopted an equity incentive plan (the "Plan") whereby certain key employees, officers, directors, consultants and advisors may be granted stock options, RSAs, RSUs, share appreciation rights, performance compensation awards, dividend equivalents and other share-based awards of the Company. The Plan was ratified by the Company's shareholders on August 4, 2020.

The RSUs granted under the Plan vest on each of the first, second, third and fourth anniversary of the date of grant. RSUs are forfeited upon a participant’s termination of employment or resignation or removal as a Director during the applicable restriction period. The Company uses a graded vesting schedule to record compensation expense, which results in greater compensation expense earlier in the vesting period after RSUs are granted. The stock options which are awarded under the Plan vest on a graded-vesting schedule, generally, over a two-year period and expire 10 years after the grant date. The Company uses a graded vesting schedule to record compensation expense, which results in greater compensation expense earlier in the vesting period after an award is granted. All stock options granted are settled in Common Shares.

On January 17, 2022, the Company adopted an amended and restated equity incentive plan (the "A&R Plan") to amend and restate the Plan in order to increase the maximum number of SVS which may be allocated for issuance pursuant to Incentive Stock Options (as defined in the A&R Plan) to up to 23,355,026 SVS or such lesser amount as determined by the Board. The A&R Plan was ratified by the Company's shareholders on February 22, 2022.

The following table summarizes the stock option activities for the three months ended March 31, 2024 and the year ended December 31,2023:

	Number of options outstanding	Weighted average exercise price $
Balance, December 31, 2022	21,558,975	0.61
Options expired/forfeited/cancelled	(5,344,733)	0.46
Options granted	5,400,000	0.04
Balance, December 31, 2023 and March 31, 2024	21,614,242	0.60

During the three months ended March 31, 2024 and 2023, the Company recorded aggregate share-based compensation of $537,938 and $561,694 respectively, for all stock options vesting and vested during the period.

There were no exercises of options during the three months ended March 31, 2024 and 2023.

(Expressed in United States Dollars, except share amounts)

21. Contributed Surplus (continued)

On July 17, 2023, the Company granted options to purchase up to an aggregate 800,000 Common Shares to certain members of management and employees. Each option is exercisable to acquire one Common Share at an exercise price of C$0.50 per Common Share for a period of five years following the date of grant.

On September 28, 2023, the Company granted options to purchase up to an aggregate 4,600,000 Common Shares to certain members of management and employees. Each option is exercisable to acquire one Common Share at an exercise price of C$0.065 per Common Share for a period of five years following the date of grant.

As at March 31, 2024, the options outstanding and exercisable for SVS and with the corresponding exercise price and weighted average remaining life was as follows:

Date of grant	Expiry date	Number of options outstanding	Number of options exercisable	Exercise price (USD)		Weighted average remaining life
September 1, 2020	September 1, 2025	573,611	573,611	$	0.70	1.4
December 23, 2020	December 23, 2025	765,000	580,000	$	1.36	1.7
June 11, 2021	June 11, 2026	250,000	125,000	$	1.64	2.2
August 1, 2016	August 1, 2026	32,631	32,631	$	0.05	2.3
March 1, 2022	March 1, 2027	5,758,797	1,439,699	$	0.52	2.9
April 4, 2022	April 4, 2027	5,266,203	1,616,551	$	0.56	3.0
April 29, 2022	April 29, 2027	1,475,000	368,750	$	0.56	3.1
June 29, 2022	June 29, 2027	-	-	$	0.27	3.2
October 10, 2022	October 10, 2027	800,000	200,000	$	0.16	3.5
November 24, 2022	November 24, 2027	800,000	200,000	$	0.12	3.7
April 25, 2018	April 25, 2028	440,000	440,000	$	4.15	4.1
May 15, 2018	May 15, 2028	43,000	43,000	$	0.62	4.1
June 25, 2018	June 25, 2028	10,000	10,000	$	4.15	4.2
July 17, 2023	July 17, 2028	800,000	-	$	0.04	4.3
September 28, 2023	September 28, 2028	4,600,000	-	$	0.05	4.7
Total		21,614,242	5,629,242			

The weighted average remaining contractual life of outstanding options as at March 31, 2024 was 3.4 years.

Restricted share units ("RSUs")

During the three months ended March 31, 2024 and 2023, the Company recorded share-based compensation expense of $581,976 and $233,701 respectively, as a result of vested RSUs.

On September 28, 2023, the Company granted 50,000 RSUs to a board member. The fair value on the grant date of the RSUs was valued at $2,595 (or $0.05 per RSU) based on the share price on the grant date.

On October 3, 2023 the Company issued 367,000 RSU's to a board member for a compensation agreement further described in Note 25. The fair value on the grant date of the RSUs was valued at $22,758 (or $0.062 per RSU) based on the share price on the grant date.

On October 5, 2023 the Company issued 367,000 RSU's to a board member for a compensation agreement further described in Note 25. The fair value on the grant date of the RSUs was valued at $21,421 (or $0.058 per RSU) based on the share price on the grant date.

On November 11, 2023 the Company issued 367,000 RSU's to a board member for a compensation agreement further described in Note 25. The fair value on the grant date of the RSUs was valued at $9,369 (or $0.026 per RSU) based on the share price on the grant date.

On December 19, 2023 the Company issued 367,000 RSU's to a board member for a compensation agreement further described in Note 25. The fair value on the grant date of the RSUs was valued at $5,465 (or $0.015 per RSU) based on the share price on the grant date.

As at March 31, 2024 and December 31, 2023, the Company had an aggregate of 2,325,000 RSUs outstanding.

(Expressed in United States Dollars, except share amounts)

22. Reserve for Warrants

The activity for warrants outstanding for the years ended March 31, 2024 and December 31, 2024 is summarized as follows:

	Common Shares (formerly Subordinate Voting Shares)		
	Number of warrants outstanding	**Weighted average exercise price CAD $**	**Weighted average exercise price USD $**
Balance, December 31, 2022	16,175,900	3.59	2.54
Bank Warrants expired	(410,000)	3.12	2.46
Issuance of Pelorus Warrants	136,258,279	2.55	2.01
Balance, December 31, 2023 and March 31, 2024	152,024,179	3.62	2.74

Warrants

The SVS Warrants and MVS Warrants are being accounted for as a derivative liability (Note 16).

On April 4, 2022, the Company issued 2,000,000 warrants (the "Loudpack Warrants") as partial consideration for the Loudpack Acquisition, which are exercisable to purchase SVS at a price of CAD $2.50 per SVS, any time prior to April 4, 2027. As a result of the reclassification, the Loudpack Warrants are now exercisable to acquire Common Shares on economically equivalent terms.

On July 17, 2023, as consideration for entering into an Amendment, the Company granted 136,258,279 common share purchase warrants to Pelorus, amounting to 40% of the Senior Secured Debt. The Pelorus Warrants are exercisable for a period of three years, with an exercise price that is adjusted based on a weighted-average dilution basis. Pelorus is prohibited from exercising the warrants if, upon exercise, Pelorus would beneficially own greater than 9.99% of the outstanding common shares of the Company.

The following table summarizes information of warrants outstanding as at March 31, 2024:

Date of expiry	Number of warrants outstanding	Weighted Average Exercise price (CAD)	Weighted Average Exercise price (USD)	Weighted average remaining life
February 18, 2024	5,806,700	3.69	2.73	0.89
February 18, 2024	7,959,200	3.69	2.73	0.89
November 29, 2026	2,000,000	3.12	2.31	3.67
July 31, 2028	136,258,279	0.05	0.04	4.83
Total	152,024,179	0.42	0.31	4.46

23. Non-controlling Interests

On February 15, 2022, the Company entered into the Subsequent FGW Agreement, pursuant to which the Company agreed to acquire the Subsequent Shares, subject to certain material closing conditions, including approvals from regulatory authorities. On October 27, 2023, the Company completed the acquisition of the Subsequent Shares as per the Subsequent FGW Agreement and the FGW Note conversion. These transactions resulted in the Company increasing its FGW ownership to 80%. The Company also retains a right of first refusal to purchase, in its discretion, in whole or in part and in one or more closings, the remaining 20% of FGW, subject to regulatory approvals. Pursuant to the Subsequent FGW Agreement, the Company paid an aggregate purchase price of $1,300,650 for the Subsequent Shares in accordance with MVS priced at the greater of:

(i) the 30-day volume weighted average price of the SVS on the CSE ending on the day prior to closing of the purchase of the Subsequent Share multiplied by 100; (ii) CAD $150 per MVS; or (iii) such other price as may be approved by the CSE. Prior to closing the acquisition of the Subsequent Shares, the Subsequent FGW Agreement will be amended to reflect the occurrence of the Mandatory Conversion and Reclassification.

(Expressed in United States Dollars, except share amounts)

23. Non-controlling Interests (continued)

As at December 31, 2023, the ownership percentage increased to 80%. This entity was previously consolidated, even whilst owning 21% due to Statehouse having control of the day-to-day operations of FGW.

On March 1, 2022, the Company acquired several non-controlling interests through the Urbn Leaf Acquisition.

On May 18, 2022, the Company entered into the Seaside Agreement pursuant to which the Company acquired the remaining 50% ownership interest in its Seaside, California retail dispensary (the "Seaside Acquisition"). The Seaside Acquisition was a result of a legal settlement.

The Seaside Acquisition resulted in the Company owning all of the issued and outstanding securities of 680 Broadway Master, LLC, which owns the Seaside retail dispensary, bringing the Company's ownership interest in the Seaside retail dispensary to 100%. On August 26, 2023, the Company elected not to renew the cannabis license and closed operations of the Seaside dispensary.

On March 13, 2023, the Company entered into the Lafayette Membership Assignment. Pursuant to the Lafayette Membership Assignment, the Company assigned its 90% interest in Lafayette back to the other remaining partners and made a $120,000 payment for back rent owed on the property in exchange for satisfaction of the Lafayette Note (Note 10 and 21).

As at March 31, 2024 the Company held the following ownership interests:

FGW Haight Inc.	80.00%
UL Chula Two LLC	51.00%
JLM Investment Group, LLC	66.66%
ULRB LLC	80.00%
Banana LLC	75.00%
UL Benicia LLC	70.00%

The change in non-controlling interests for the three months ended March 31, 2024 and March 31, 2023 were as follows:

Balance, December 31, 2022	$	2,901,915
Share of loss for the year		(276,864)
Assignment of membership interest		140,594
Balance, March 31, 2023	$	2,765,645
Balance, December 31, 2023	$	1,189,815
Share of loss for the year		-
Assignment of membership interest		20,341
Balance, March 31, 2024	$	1,210,156

24. Net Loss Per Share

Basic loss per share is calculated by dividing net profit or loss attributable to ordinary equity holders of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The following is a reconciliation for the calculation of basic and diluted loss per share for the three months ended March 31, 2024:

		March 31, 2024		March 31, 2023
Net income (loss) attributable to the Company	$	(17,844,816)	$	(10,603,411)
Diluted weighted average number of shares outstanding		255,175,119		213,813,888
Basic and diluted loss per share	$	(0.07)	$	(0.05)

(Expressed in United States Dollars, except share amounts)

25. Related Party Transactions and Key Management and Director Compensation

(a) Key Management and Director Compensation

Key management includes directors and officers of the Company. Total compensation (comprised of salaries, benefits, one-time bonuses and share-based compensation) awarded to key management for the three months years ended March 31, 2024 and 2023, was as follows:

	March 31, 2024	March 31, 2023
Short-term employee benefits, including salaries and director fees	$ 471,767	$ 491,998
Share-based compensation - Directors and Executives	537,938	858,672
Total	$ 1,009,705	$ 1,350,670

As at both March 31, 2024 and December 31, 2023, $202,540 was payable to Will Senn ("Mr. Senn"), Chief Corporate Development Officer, for deferred compensation.

As at March 31, 2024 and December 31, 2023, $141,500 and $176,050, respectively, was payable to the directors for quarterly director fees.

All amounts outstanding are unsecured, non-interest bearing and due on demand.

(b) Related Parties

The Company did not have any purchases of goods or services with related parties during three months ended March 31, 2024 and 2023.

(c) Other Related Parties

On July 19, 2021, the Company entered into two consulting agreements with Entourage Effect Capital ("Entourage") in exchange for cash compensation. Pursuant to the terms of the first consulting agreement with Entourage, Matt Hawkins ("Mr. Hawkins") agreed to provide management services as Interim Chief Executive Officer ("CEO") of the Company.

Pursuant to the terms of the second consulting agreement with Entourage, Entourage agreed to provide business and executive management services related to the Company's retail, wholesale and manufacturing operations. In connection with the Urbn Leaf Acquisition, the Company announced the resignation of Mr. Hawkins as Interim CEO and the appointment of Edward Schmults as CEO. As at March 31, 2024 and December 31, 2023, a total of $45,000 was payable to Entourage for business and executive management services under the second consulting agreement.

An immediate family member of Mr. Senn was employed by the Company. As at March 31, 2024 and December 31, 2023, a total of $94,087 was payable for deferred compensation.

Lafayette leases a building in Stockton, California in which an officer of the Company owns a 45% interest in the entity that owns the building. On March 13, 2023, the Company entered into the Lafayette Membership Assignment. Pursuant to the Lafayette Membership Assignment, the Company assigned its 90% interest in Lafayette back to the other remaining partners and made a $120,000 payment for back rent owed on the property in exchange for satisfaction of the Lafayette Note (Note 10 and 21).

UL La Mesa LLC leases a building in La Mesa, California in which an immediate family member of an officer of the Company owns a 36.25% interest in the entity that owns the building. During the three months ended March 31, 2024 and 2023 the Company paid $56,176 and $45,000 respectively, for rent expense.

25. Related Party Transactions and Key Management and Director Compensation (continued)

ULBP Inc. leases a building in La Mesa, California in which an officer of the Company owns a 50% interest in the entity that owns the building. During the three months ended March 31, 2024, the Company paid $6,365 for rent expense. During the three months ended March 31, 2023 the Company paid $157,731 for rent expense.

On January 9, 2023, the Company entered into a management services agreement with UL Management LLC and PDLP JV, LLC (the "Urbn Leaf WeHo Service Agreement") to manage and operate a dispensary under the Urbn Leaf brand in West Hollywood, California ("Urbn Leaf WeHo"). The Urbn Leaf WeHo Service Agreement has an initial term of five years and is subject to three automatic renewals of five years for a total of 20 years. The Company had a right to acquire a 50% ownership in PDLP JV, LLC for no additional consideration. On December 30, 2022, the Company exercised its right to acquire a 50% ownership in PDLP JV, LLC and is awaiting final approval from the City of West Hollywood (Note 33), and the Company expects for approval to be finalized during the year ended December 31, 2024. The total due to PDLP as of the year ended December, 31, 2023 was $1,603,703 and is included in due to related parties on the consolidated statements of financial position.

As at December 31, 2023, a security deposit of $140,000 was owed to the UL San Jose's landlord and is included in due to related parties on the consolidated statements of financial position.

As at December 31, 2023, a total of $44,035 was owed to 8939 La Mesa Partners, a related party, and is included in due to related parties on the consolidated statements of financial position.

As at December 31, 2023, a total of $428,806 was owed to Hillside Partners, a related party, and is included in due to related parties on the consolidated statements of financial position.

As at December 31, 2023, a total of $108,526 was owed to Paragon Partners, a related party, and is included in due to related parties on the consolidated statements of financial position.

On September 19, 2023, the Company entered into an agreement with The Scott Company, LLC ("TSC") for professional services in exchange for $15,000 and 367,000 RSUs on a monthly basis. The Company granted 734,000 RSU's on September 28, 2023 for the months of September and October. Additional RSU's were granted totaling 734,000 on December 5, 2023 for the months of November and December. All RSU's fully vest on the grant date. On January 9, 2024, the Company extended this consulting agreement through March 31, 2024, and changed the compensation arrangement so that an additional $15,000 cash would be paid each month in lieu of the RSUs. TSC is owned by a related party, James Scott, who is a member of the Board of Directors.

26. Commitments and Contingencies

Employee Retention Credit ("ERC")

As discussed in Note 21, the Company received approximately $6,400,000 of ERC funds through the Coronavirus Aid, Relief and Economic Security Act. The ERC program requires the Company to comply with certain conditions, including maintaining certain levels of employment and not reducing wages of certain employees. The Company has adhered to all requirements of the program and believes it will not be liable to pay back any portion of the ERC. However, the company can provide no guarantee that they will not be required to repay the credit. The Company will continue to assess these matters each period and record the appropriate amounts in connection with any changes to the status of the ERC compliance.

IRC §280E

Many of the central issues relating to the interpretation of IRC §280E remain unsettled and there are critical tax accounting issues regarding the allocation of expenses to the cost of goods sold (thus avoiding disallowance as deductions under IRC §280E) that have never been addressed by any Treasury regulation or court case. IFRIC 23 provides guidance that adds to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

26. Commitments and Contingencies (continued)

The Company evaluated its uncertain tax treatments using a probability-weighted approach to assess the range of possible outcomes as required in its adoption of IFRIC 23 and, although it strongly disagrees with the findings of the IRS and the U.S. Tax Court, determined that a reserve for an uncertain tax position should be recorded.

On February 17, 2021, the U.S. Tax Court ruled in favor of the Commissioner of Internal Revenue with respect to SJW to disallow all of SJW's deductions pursuant to IRC §280E for all the years at issue. On May 14, 2021, the Company appealed the U.S. Tax Court ruling. In an effort to resolve the matter as part of a global settlement, the Company withdrew its appeal. On June 28, 2022, the Company entered into the IRS Agreement related to certain federal tax returns of PMACC (Note 19).

Pending Litigation

From time to time, the Company may become defendants in legal actions and the Company intends to take appropriate action with respect to any such legal actions, including defending itself against such legal claims as necessary. As the Company continues to operate, it may become party to additional litigation matters and claims. The outcomes of litigation and claims cannot be predicted with certainty, and the resolution of any future matters could materially affect the Company's financial position, results of operations or cash flows.

Sublime Concentrates, Inc. v. Sublime Machining, Inc.

On September 18, 2018, Sublime Machining, Inc. entered into a trademark assignment agreement with Sublime Concentrates, Inc. (the "Counterparty") for use of certain trademarks. The Counterparty filed suit against Sublime Machining, Inc. alleging breach of contract regarding the nonpayment for the transfer of the trademark assets. On February 23, 2023, the Company entered into the Fang Settlement Agreement, which calls for certain cash payments to be made to the Company in exchange for the release of any claims (Note 7).

Joshua Bubeck v. StateHouse Holdings Inc., Harborside Inc., UL Management LLC, UL Holdings Inc., Edward Schmults, and Will Senn

On August 25, 2022, the Company received a complaint on behalf of a former executive, Joshua Bubeck. The complaint alleges various wage and hour claims, as well as breach of contract. This matter has been referred to the Company's insurance carrier and counsel. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Denise M. Harbison v. Twyla Williams; and Uprooted, Inc.

On or about September 9, 2022, the company received a complaint that was filed August 26, 2022, related to a vehicle accident. The complaint alleges two claims of negligence, and negligence per se. This matter has been referred to the company’s insurance provider. On March 31, 2023, the policy limits were offered to resolve the claim. On September 7, 2023, a request for dismissal was filed and approved.

Norguard Insurance Company v. Calgen Trading, Inc. dba Urbn Leaf and 909 West Vista Way LLC

On September 15, 2022, the Company received a complaint alleging that one of the Company's contracted security guards was injured on the job in May of 2020. The plaintiff, who is the worker's compensation insurance carrier for the contracted security company, is seeking compensatory damages in connection with this complaint. This matter has been referred to the Company's insurance carrier. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

26. Commitments and Contingencies (continued)

Global Alliance for Cannabis Commerce v. UL Holdings Inc.

On December 30, 2022, the Company received a summons and compliant from the Global Alliance for Cannabis Commerce alleging breach of contract and accounts stated. On March 23, 2023, the Company entered into a settlement agreement, which calls for certain cash payments to be made by the Company in exchange for the release of any claims.

Christopher Francy v. UL Holdings Inc and William Senn

On June 23, 2023, UL Holdings Inc ("UL Holdings") received a demand letter (the "Francy Demand Letter") from Christopher Francy ("Mr. Francy"), a former 680 Broadway Master LLC joint venture partner. The Francy Demand Letter alleges that the company owes payment to Mr. Francy pursuant to the terms of a settlement agreement entered into between the UL Holdings and Mr. Francy on March 8, 2022. In addition, on September 8, 2023, UL Holdings received a summons and complaint on behalf of Mr. Francy alleging breach of contract. On January 31, 2024, the parties executed a settlement agreement, pursuant to which UL Holdings agreed to continue payments over time.

Maria Adan and Other Individuals Similarly Situated v. LPF RE Manager, LLC

In October 2019, Loudpack received a summons regarding wage and hour claims related to Loudpack's security screening procedures. The parties have executed a class action settlement agreement and have agreed to a maximum settlement amount. The settlement payments in connection with such settlement agreement must be paid over biweekly payments starting 30 days after final approval from the court is obtained, which is expected to be in late 2023. On June 29, 2022, the court granted preliminary approval of the settlement. On April 24, 2023, the Company received final judgment in connection with this claim, pursuant to which the Company agreed to make settlement payments over time. The Company has accrued the settlement as part of accounts payable and accrued liabilities in the accompanying Consolidated Statements of Financial Position.

Jose Zamudio and Sandra Gasca v. LPF RE Manager, LLC et al

In February 2020, LPF RE Manager, LLC was served with a summons for a third wage and hour claim related to Loudpack's security screening procedures. On April 13, 2023, the parties executed a settlement agreement, pursuant to which the Company agreed to make settlement payments over time. The Company has accrued the settlement as part of accounts payable and accrued liabilities in the accompanying Consolidated Statements of Financial Position.

Abigail O'Flaherty v. Greenfield Prop Owner II, LLC and Greenfield Organix

In September 2020, Greenfield Prop Owner II, LLC received a complaint alleging personal injury damages arising from a car accident on May 24, 2019 involving a Company owned vehicle. Loudpack tendered a claim with its insurance provider and is being defended by panel counsel retained through such insurance provider. On October 20, 2023, the Loudpack received a notice of entry of dismissal in connection with the matter and was advised that a settlement between the parties had been finalized.

Gregory Bannon v. Steven Swanson; Greenfield Prop Owner II, LLC

On November 23, 2021, Loudpack was served a complaint alleging personal injury and property damage. On July 18, 2022, plaintiff's counsel sent a statutory offer to compromise, and the parties are in process of negotiating a settlement amount. The Company was notified that the matter was settled as of September 19, 2022. The court had scheduled a Compliance Hearing regarding Dismissal for December 12, 2022. The compliance hearing was subsequently moved to March 9, 2023 and was continued by the court until May 16, 2023. On May 3, 2023, the Company received a copy of the release of all claims and the request for dismissal of this matter.

26. Commitments and Contingencies (continued)

Elliot Espinoza v. Eaze Technologies; Cura Cannabis Solutions; Select; Kingpen; Loud Pack Farms; Loudpack, Inc; Loud Pack Legendz LLC; Loud Pack Legendz, Inc.; et al.

In September 2021, Loudpack was served with a complaint for compensatory damages alleging claims for product liability, misrepresentation, and negligence. The plaintiff has alleged that in January 2019, he ingested Kingpen Skywalker OG and Select Adjustable Pro vaporizer products and had an adverse allergic reaction to the products resulting in serious bodily injury. Loudpack tendered a claim with its insurance carrier to assist in the defense of this matter. On December 21, 2023, the parties executed a settlement agreement, pursuant to which Loudpack agreed to make a settlement payment to the plaintiff to resolve all claims.

Robby Castillo Ordonez and Jessica Carolina Hernandez Rodriguez de Castillo v. Holistic Healing Alternative, Inc., LP-KP IP Holdings, LLC and Greenfield Organix

On July 25, 2022, the Company was served with a summons and complaint alleging a breach of statutory obligation, negligent exercise of retained control, premises liability, civil harassment, Bane civil rights act and loss of consortium. The Company denies any direct or indirect involvement with the plaintiff's claims, or any potential liability in this matter. This matter has been referred to the Company's external counsel and insurance carrier. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Monterey County Office of the Assessor v. Greenfield Prop Owner II, LLC

On or about October 4, 2021, Loudpack received a letter from the Monterey County Office of the Assessor regarding an appeal of supplemental assessments due to an increased assessed value for the Company's Cherry Avenue property in Greenfield. This matter has been referred to the Company's external counsel. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Fusion LLF, LLC v. StateHouse Holdings Inc., formerly known as Harborside Inc.; Greenfield Organix; and ULBP Inc.

On or about August 26, 2022, the Company received a demand letter from Fusion LLF, LLC regarding a receivable for entities Greenfield Organix and Humboldt Partner Group, Inc. The letter demands immediate payment for a past due balance. On January 3, 2023, the Company received a summons and complaint from Fusion LLF, LLC alleging breach of contract, account stated and right to attach order and writ of attachment regarding an unpaid balance. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Rocky Willeford, individually and on behalf of all others similarly situated v. Greenfield Organix and LPF JV Corporation

On November 2, 2022, the Company received a summons and complaint alleging that Greenfield Organix and LPF JV Corporation had mislabeled product and that a claimant is seeking damages. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Kate Pellacani v. ULBP Inc.

On April 12, 2023, ULBP Inc. received a complaint on behalf of a former employee Kate Pellacani. The complaint alleges that Ms. Pellacani was misclassified as an exempt employee resulting in unpaid wages and penalties. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

26. Commitments and Contingencies (continued) l as defined in such agreements.

Cynthia Summers v. UL San Jose LLC

On December 18, 2023, UL San Jose LLC ("ULSJ") received a complaint alleging successor liability from Cynthia Summers, a former employee of DFWS Inc., an entity which previously held the retail store location purchased through receivership by ULSJ in 2020. On April 3, 2024, the ULSJ received notice that the matter was dismissed without prejudice.

Payne's Distribution LLC dba Leef Distribution v. Greenfield Organix

On October 20, 2023, the Greenfield Organix received a summons and complaint from Payne's Distribution LLC (dba Leef Distribution). The complaint alleges breach of written contract, reasonable value, open book account, and account stated regarding a debt owing. On January 17, 2024, the parties executed a settlement agreement, pursuant to which Greenfield Organix agreed to make settlement payments over time.

Beacon Securities Limited v. StateHouse Holdings Inc., LPF JV Corporation, LPF JV LLC, and UL Holdings Inc.

On March 6, 2024, StateHouse Holdings Inc received a statement of claim on behalf of Beacon Securities Limited ("Beacon"), a former financial advisor to LPF JV, a wholly owned subsidiary of StateHouse, alleging that StateHouse did not pay Beacon an advisory fee contractually owed to Beacon. It is the intent of the company to settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Global Assets, Liens, and Foreclosures

On March 26, 2024, Statehouse received a demand letter and notice of debt assignment from Global Assets, Liens, and Foreclosures ("GALF") on behalf of HERBL Inc., alleging a debt that has been assigned to GALF. It is the intent of the company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Goldberg Weprin Finkel Goldstein LLP

On June 3, 2024, StateHouse Holdings Inc. received a demand from Goldberg Weprin Finkel Goldstein LLP, a former legal vendor to LPF JV Corporation, alleging unpaid invoices. It is the intent of StateHouse Holdings Inc. to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

UL Holdings Inc. v. 2220 NBC, LLC, and NBC Multinational Cultivation Company LLC

On January 8, 2024, UL Holdings filed a complaint against 2220 NBC, LLC, and NBC Multinational Cultivation Company LLC, note obligors to UL Holdings, alleging breach of note, money lent and received, foreclosure of collateral, alter ego, and fraudulent transfer, regarding an unpaid balance. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Employment Agreements

Certain of the Company's employees have employment agreements under which the Company is obligated to make severance payments, accelerate vesting of stock options and provide other benefits in the event of the employee's termination, change in role or a change in control as defined in such agreements.

(Expressed in United States Dollars, except share amounts)

27. Capital Management

The Company's objectives when managing its capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern, meet capital expenditures required for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets. With the exception of certain restrictive covenants included in the Carryover Notes, Senior Secured Debt and Term Loan (Note 13 and 14), the Company is not subject to externally imposed capital requirements. The Board does not establish quantitative criteria related to a return on capital for management, but rather relies on the management team's expertise to sustain future development of the business.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

(i) minimizing discretionary disbursements;

(ii) reducing operating expenditures throughout the Company; and

(iii) exploring alternative sources of liquidity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no material changes to the Company's capital management approach during the three months ended March 31, 2024 and 2023.

28. Financial Risk Management

The Company is exposed to a variety of financial instrument related risks. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as the result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its operating and financing activities.

As at March 31, 2024 and December 31, 2023, the Company had a cash and restricted cash balance of $1,117,693 and $2,429,973, respectively, to settle current liabilities of $150,444,972 and $132,489,464, respectively. The higher amount of current liabilities as at March 31, 2024 is primarily due to debt (Note 14) and the Company's excise, cultivation and property tax liabilities (Note 15).

In addition to the commitments outlined in Note 10, *Right-of-use Assets and Lease Liabilities*, and Note 26, *Commitments and Contingencies*, the Company has the following contractual obligations as at March 31, 2024:

	Less than 1 Year	1 to 3 Years	4 to 5 Years	> 5 Years	Total
Accounts payable	$ 26,126,978	-	-	-	$ 26,126,978
Accrued liabilities, payroll and loyalty rewards program	18,156,396	-	-	-	18,156,396
Accrued local, sales, excise, cultivation, property tax liabilities	7,498,139	-	-	-	7,498,139
Notes payable	703,943	44,620,386	-	-	45,324,329
IRS Agreement	600,000	1,200,000	1,200,000	1,800,000	4,800,000
Term Loan	-	75,492,100	-	-	75,492,100
Lease liability	1,402,097	9,046,087	9,043,149	2,717,439	22,208,772
	$ 54,487,553	$ 130,358,573	$ 10,243,149	$ 4,517,439	$ 199,606,714

28. Financial Risk Management (continued)

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasted and actual cash flows. If insufficient liquidity exists, the Company may pursue various debt and equity instruments for either short or long-term financing of its operations.

(b) Credit Risk

Credit risk is the risk of potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash, accounts receivable, notes receivable and deposits and other assets, which expose the Company to credit risk should the borrower default upon maturity of the instruments. Cash and restricted cash are primarily held with reputable banks, and at secure facilities controlled by the Company.

Management believes that the credit risk concentration with respect to financial instruments included in cash, restricted cash and accounts receivable is minimal.

(c) Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate volatility as the Company's Senior Secured Debt has a variable interest rate of one-month SOFR, plus 12.5%, with a SOFR floor of 4.5% (Note 14). As at December 31, 2023, if market interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been $367,449 lower as a result of higher interest expense.

(ii) Foreign Exchange Risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company's main operations are based in the U.S., and the majority of its business is transacted in U.S. Dollars. The Company's primary exposure to foreign exchange risk and rate fluctuations relates to bank deposits held in Canada and transactions denominated in Canadian dollars.

As of March 31, 2024, and 2023, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time as it deems its foreign currency exposure to be immaterial.

(iii) Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market or the cannabis sub-market. The Company's investments are subject to fluctuations in fair value arising from changes in the equity markets.

(d) Asset Forfeiture Risk

As the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which is used in the course of conducting such business, or is derived from the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

28. Financial Risk Management (continued)

(e) Banking Risk

Notwithstanding that a majority of states in the United States have legalized cannabis for either adult or medical use, and the passage of the SAFE Banking Act by the U.S. House of Representatives, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry.

Given that U.S. federal law provides that the production and possession of cannabis is illegal under the Controlled Substances Act, there is a valid argument that banks cannot accept funds for deposit from businesses involved in the cannabis industry.

Accordingly, due to the present state of the laws and regulations governing financial institutions in the U.S., only a small percentage of banks and credit unions offer financial services to the cannabis industry. Although the Company has strong relationships with several banking partners, regulatory restrictions make it extremely difficult for any cannabis company to maintain or enter into banking relationships with U.S. federally regulated entities. Additionally, U.S. federal prohibitions on the sale of cannabis may result in cannabis manufacturers and retailers being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally chartered banking institutions. While the Company does not anticipate material impacts from dealing with banking restrictions, additional banking restrictions could nevertheless be imposed that would result in existing deposit accounts being closed and/or the inability to make further bank deposits. The inability to open bank accounts would make it more difficult for the Company to operate and would substantially increase operating costs and risk.

29. Segmented Information

The Company's operations comprise one reportable segment comprised of multiple revenue streams engaged in the cultivation, branding, manufacturing, wholesale distribution and retail sale of cannabis and cannabis products within the U.S. All revenues were generated in the United States for the three months ended March 31, 2024, and 2023 and all property, plant and equipment and intangible assets are located in the United States.

The Company evaluates its CGU's and segments in light of changes of its operations as the Company better integrates the Urbn Leaf and Loudpack operations into the organization following prior acquisitions. Based on the Chief Operating Decision Maker (CODM), the Company has one operating and reportable segment, in addition to one CGU. Revenues were as follows:

	For the three months ended	
$ in thousands	**March 31, 2024**	**March 31, 2023**
Retail, net	$ 11,954	$ 14,428
Branded wholesale and manufacturing revenue, net	11,493	9,447
Cultivation revenue, net	1,959	783
Total net revenue	$ 25,406	$ 24,658

30. Subsequent Events

The Company has evaluated subsequent events through July 31, 2024.

Sale of LCGLORDIS2 LLC

On April 26, 2024, the Company closed on the sale of LCGLORDIS2 LLC. LCGLORDIS2 LLC was listed as held for sale as of December 31, 2023.

30. Subsequent Events (continued)

Entity Dissolutions

The Company dissolved several entities during 2024 including: UL Benicia, LLC dissolved on February 5, 2024, Ocean Ranch LPFN, LLC dissolved on May 13, 2024, Oakland Machining Supply SLB dissolved on May 14, 2024, LPF Ohio, LLC dissolved on May 17, 2024, and Evergreen LPFN, LLC dissolved on May 17, 2024, as well as LPF Michigan, LLC, Benmore LPFN, CDRS Owner, LLC on June 12, 2024. Additionally, the Company has filed to dissolve and LGCLORDIS 1, LLC.

Board Member Changes

Effective April 15, 2024, Felicia Snyder has been appointed as independent Chair of the Board of Directors of the Company (the "Board") effective April 14th, 2024. In connection with the appointment, Matthew K. Hawkins has stepped down from the Board effective April 12th, 2024, to focus on capital raising activities ahead of Entourage Effect Capital's upcoming fourth fund launch.

Pending Litigation

From time to time, the Company may become defendants in legal actions and the Company intends to take appropriate action with respect to any such legal actions, including defending itself against such legal claims as necessary. As the Company continues to operate, it may become party to additional litigation matters and claims. The outcomes of litigation and claims cannot be predicted with certainty, and the resolution of any future matters could materially affect the Company's financial position, results of operations or cash flows.

Reclassifications

For comparative purposes, the Company has reclassified certain items on the comparative Consolidated Statements of Financial Position to conform with the current year's presentation. The items reclassified were as follows:

- Management reclassified accounts payable and accrued liabilities items to further break out these liabilities on the balance sheet. Historically the balance sheet has reflected "Accounts payable and accrued liabilities." The balance sheet as of December 31, 2023 reflects these categories as accounts payable, accrued liabilities, payroll and loyalty rewards program, and accrued local and sales taxes.
- As of December 31, 2023, the Company reclassified $3,000,000 of depreciation relating to the production of inventory to costs of sales. The Company believes that the change in depreciation will provide shareholders with a better reflection of the Company's business activities and enhance the comparability of the Company's financial information to its industry peers.
- As of December 31, 2023, the Company reclassified $1,580,896 of interest and penalties on unpaid income taxes from interest expense to income taxes. The Company believes that the change will provide shareholders with a better reflection of the Company's business activities and enhance the comparability of the Company's financial information to its industry peers.