Delivra Health Brands Inc.

Consolidated Financial Statements

For the years ended June 30, 2023 and 2022
(in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Delivra Health Brands Inc.

Opinion

We have audited the accompanying consolidated financial statements of Delivra Health Brands Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of $184,000 during the year ended June 30, 2023 and, as of that date, the Company had negative operating cash flows of $1,088,000, and an accumulated deficit of $170,038,000. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

<u>Revenue</u>

As described in Note 15 to the consolidated financial statements, during the year ended June 30, 2023, the Company recognized net revenue from operations of $9,791,000. Certain sales recognized during the period were subject to bill-and-hold arrangements. A bill-and-hold arrangement is where the customer has been billed for products that are ready for delivery but will not be physically delivered until a later date.

The principal considerations for our determination that the recognition of revenue, particularly in relation to the bill-and-hold arrangement, is a key audit matter are due to the estimation uncertainty underlying the recognition of revenue and the significant value of revenue to the consolidated financial statements as a whole. Management exercises significant judgement to determine if all the criteria had been met for a bill-and-hold transaction to have been recognized as revenue during the current reporting period. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of the recognition of revenue.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Performed walkthroughs to understand the key processes and identified key internal controls.
- Validated any material unusual journal entries to assess for any evidence of management override or bias by corroborating to supporting documentation.
- Performed analytical review of revenue and investigated significant variances with management, corroborating evidence where appropriate.
- Tested sales transactions, on a sample basis, against sales contracts, invoices and shipping documents to assess that revenues have been recognized at appropriate prices and in the correct accounting period.
- Vouched proceeds received, on a sample basis, against invoices issued and supporting documents.
- Tested sales fees, on a sample basis, to underlying invoices and evaluated the year-end provision for completeness.
- Evaluated the Company's assessment of the bill-and-hold arrangement in accordance with IFRS 15 *Revenue from Contracts with Customers.*

Inventory

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's inventory was $2,260,000 as at June 30, 2023. As more fully described in Note 2 to the consolidated financial statements, inventory is valued as the lower of cost and net realizable value on a weighted average basis. Management exercises significant judgement in determining net realizable value and related cost of inventory.

The principal considerations for our determination that inventory is a key audit matter are due to the estimation uncertainty underlying the valuation of inventory and the significant value of inventory to the consolidated financial statements as a whole. Inventory is held at multiple locations and management applies a provision at year-end on a location-by-location basis and thereby exercises significant judgement when arriving at an appropriate valuation at year-end. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of the valuation of inventory.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Performed walkthroughs to understand the key processes and identified key internal controls.
- Conducted procedures on third party inventory counts performed to verify management's inventory listings.
- Tested, on a sample basis, the accuracy of cost for inventory by verifying the actual purchase costs and testing the net realizable value by comparing actual cost with the most recent retail price.
- Assessed the inventory provision by completing analytical procedures, corroborating assumptions, and testing actual write-downs during the year.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alyson Neil.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

October 18, 2023

Delivra Health Brands Inc.

Consolidated statements of financial position

As at June 30, 2023 and 2022

(Expressed in thousands of Canadian dollars)

	Note	**June 30 2023**	June 30 2022
		$	$
Assets			
Current assets			
Cash		**2,721**	1,084
Accounts receivable	3	**2,589**	1,576
Short term investments	4	**11**	26
Lease receivable		**155**	134
Inventories	5	**2,260**	2,220
Prepaid expenses and deposits		**182**	104
Assets held for sale	8	**-**	2,341
		7,918	7,485
Lease receivable		**-**	155
Property, plant and equipment	6	**179**	270
Intangible assets	7	**2,466**	3,675
Total assets		**10,563**	11,585
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	**5,217**	6,105
Loans and lease liabilities	10	**253**	436
		5,470	6,541
Loans and lease liabilities	10	**1,704**	1,671
Total liabilities		**7,174**	8,212
Equity			
Share capital	12	**148,226**	148,226
Other reserves	13	**25,386**	25,234
Accumulated other comprehensive loss		**(185)**	(233)
Accumulated deficit		**(170,038)**	(169,854)
Total equity		**3,389**	3,373
Total liabilities and equity		**10,563**	11,585

Going concern (note 2(c))
Commitments and contingencies (note 18)

"Jason Bednar"
Jason Bednar, Director

"Gord Davey"
Gord Davey, Director

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

Delivra Health Brands Inc.

Consolidated statements of loss and comprehensive loss

For the years ended June 30, 2023 and 2022

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	**2023**	2022
		$	$
Revenue		**9,882**	8,239
Excise taxes		**91**	100
Net revenue	15	**9,791**	8,139
Cost of sales		**4,570**	4,759
Inventory write-down	5	**398**	776
Gross profit		**4,823**	2,604
Expenses			
General and administration	11, 14	**3,929**	4,542
Sales and marketing		**775**	1,603
Depreciation and amortization	6,7	**1,330**	2,119
Share-based compensation	13, 14	**152**	352
Asset impairment and write-downs	7	**-**	398
		6,186	9,014
Loss from operations		**(1,363)**	(6,410)
Other (expense) income			
Gain (loss) on disposal of assets	4,6,8	**602**	(692)
Interest and finance costs		**(250)**	(635)
Gain from extinguishment/forgiveness of debt	18	**896**	230
Unrealized loss/gain	4	**(15)**	486
Foreign exchange gain		**(54)**	12
		1,179	(599)
Net loss		**(184)**	(7,009)
Other comprehensive loss – Items that may be reclassified to profit and loss:			
Foreign currency translation		**48**	53
Comprehensive loss		**(136)**	(6,956)
Net loss per share – basic and diluted		**(0.001)**	(0.03)
Weighted average number of outstanding common shares		**252,617,854**	252,617,854

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

Delivra Health Brands Inc.

Consolidated statements of changes in equity

For the years ended June 30, 2023 and 2022

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	Number of shares	Share capital	Other reserves	Accumulated other comprehensive loss	Accumulated deficit	Total
		#	$	$	$	$	$
Balance, July 1, 2021		252,617,854	148,226	24,882	(286)	(162,845)	9,977
Share-based compensation	13	-	-	352	-	-	352
Foreign currency translation		-	-	-	53	-	53
Net loss		-	-	-	-	(7,009)	(7,009)
Balance, June 30, 2022		252,617,854	148,226	25,234	(233)	(169,854)	3,373
Share-based compensation	13	**-**	**-**	**152**	**-**	**-**	**152**
Foreign currency translation		**-**	**-**	**-**	**48**	**-**	**48**
Net loss		**-**	**-**	**-**	**-**	**(184)**	**(184)**
Balance, June 30, 2023		**252,617,854**	**148,226**	**25,386**	**(185)**	**(170,038)**	**3,389**

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

Delivra Health Brands Inc.

Consolidated statements of cash flows

For the years ended June 30, 2023 and 2022

(Expressed in thousands of Canadian dollars)

	Note	2023	2022
		$	$
Operating activities			
Net loss		**(184)**	(7,009)
Adjustments to reconcile non-cash items			
Depreciation and amortization	6,7	**1,330**	2,119
Asset impairment and write-downs	6,7	**-**	398
Inventory write-down	5	**398**	776
(Gain) Loss on disposal of assets		**(602)**	692
Unrealized loss on fair valuation of investment		**15**	(486)
Share-based compensation	13	**152**	352
Interest and accretion on loans and leases	10	**75**	254
Gain on loan forgiveness/accounts settlement		**(896)**	(230)
Changes in working capital			
Accounts receivable	3	**(867)**	(227)
Inventories		**(467)**	(717)
Prepaid expenses and deposits		**(78)**	327
Accounts payable and accrued liabilities		**36**	(690)
Net cash used in operating activities		**(1,088)**	(4,441)
Investing activities			
Purchase of property, plant and equipment	6	**-**	(10)
Proceeds from sale of assets held for sale	8	**2,954**	-
Proceeds from sale of property, plant and equipment	6	**-**	104
Proceeds from sale short term investment, net of fees	4	**-**	1,268
Purchase of intangible assets	7	**(41)**	(12)
Net cash provided by investing activities		**2,913**	1,350
Financing activities			
Repayment of loans and lease payments	10	**(255)**	(309)
Net cash provided by (used in) financing activities		**(255)**	(309)
Effect of foreign exchange on cash		**67**	53
Change in cash during the year		**1,637**	(3,347)
Cash, beginning of the year		**1,084**	4,431
Cash, end of the year		**2,721**	1,084

Supplemental information:

1) During the year ended June 30, 2023, interest paid was $20 (2022 - $35).
2) During the year ended June 30, 2023, there was no income tax paid, (2022 - $nil).

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

1. Nature of operations

Delivra Health Brands Inc. ("Delivra Health") is a publicly traded corporation, incorporated in Canada, with its head office located at 404 – 999 Canada Place, Vancouver, BC, V6C 3E2. Delivra Health's common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "DHB" and on the OTCQX® Best Market operated by OTC Market Group under the symbol "DHBUF". The Company was formerly known as Harvest One Cannabis Inc. and was listed on the TSXV under the symbol "HVT" and on the OTCQX® Best Market operated by OTC Market Group under the symbol "HRVOF". The name change was approved by the TSXV in September 2022.

These consolidated financial statements as at and for the years ended June 30, 2023 and 2022 include Delivra Health and its subsidiaries (together referred to as "the Company").

The Company is in the health and wellness consumer packaged goods business. The Company provides innovative lifestyle and health and wellness self-care products to consumers and patients in regulated markets around the world through its subsidiaries: Dream Water Global ("Dream Water") and Delivra Corp. ("Delivra").

2. Significant accounting policies

a) *Basis of presentation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these consolidated financial statements.

These consolidated financial statements were approved and authorized for issue by the board of directors ("Board") of the Company on October 18, 2023.

b) *Estimation Uncertainty*

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions and heightened inflation. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

To date, the Company has not experienced a significant overall downturn in demand for its products in connection with such ongoing uncertainties, however, the Company cannot provide assurance that there will not be downturns or disruptions to its operations in the future.

c) *Basis of accounting – going concern*

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue in the normal course of operations is dependent on its ability to achieve profitable operation, raise additional capital through debt or equity financings, and/or divestiture of non-core assets. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing further financing transactions in the future.

The Company had a consolidated net loss of $184, negative operating cash flows of $1,088 for the year ended June 30, 2023 and an accumulated deficit of $170,038 as at June 30, 2023. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements. Management acknowledges that in the absence of securing additional capital there is uncertainty over the Company's ability to meet its funding requirements as they fall due.

d) *Basis of measurement*

These consolidated financial statements are presented in Canadian dollars and are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. These consolidated financial statements have been prepared using the accrual method except for cash flow information.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

2. Significant accounting policies

e) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. The table below lists the Company's remaining subsidiaries as at June 30, 2023 and the ownership interests in each:

Subsidiary	Jurisdiction	% ownership	Accounting method
Dream Products Inc.	Canada	100%	Consolidation
Dream Products USA Inc.	USA	100%	Consolidation
Sarpes Beverages, LLC	USA	100%	Consolidation
Delivra Corp.	Canada	100%	Consolidation
Delivra Inc.	Canada	100%	Consolidation
Delivra Pharmaceuticals Inc.	Canada	100%	Consolidation
LivCorp Inc.	Canada	100%	Consolidation
LivCorp International Inc.	Canada	100%	Consolidation
LivVet Inc.	Canada	100%	Consolidation
PortaPack Ltd.	Canada	100%	Consolidation
United Greeneries Holdings Ltd.	Canada	100%	Consolidation
United Greeneries Operations Ltd.	Canada	100%	Consolidation

f) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Non-controlling interest in the acquiree is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively during the measurement period. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

g) *Foreign currency translation*

The presentation and functional currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign currency transactions are translated into the individual entity's functional currency at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the individual entity at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through the consolidated statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Significant accounting policies (continued)

g) *Foreign currency translation (continued)*

The assets and liabilities of foreign operations are translated in Canadian dollars at year-end exchange rates while income and expenses, and cash flows are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive loss and accumulated in equity.

h) *Inventories*

Inventories of finished goods and packing materials are valued at the lower of cost and net realizable value and weighted average is the costing method employed.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

i) *Property, plant and equipment*

Property, plant and equipment is measured at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the asset's useful life commencing from the time the asset is available for use. The depreciation rates used for each class of depreciable asset are:

Office equipment	3 – 5 years
Plant and equipment	3 – 25 years

An asset's residual value and useful life are reviewed during each financial year and adjusted if appropriate. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in the consolidated statement of loss and comprehensive loss.

Construction in progress is transferred to the appropriate category of property, plant and equipment when available for use and depreciation of the asset commences at that point.

j) *Finite-life intangible assets*

Intangible assets with a finite life are recorded at cost less accumulated amortization. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives:

Technology and formulations	3 years
Website and other	5 years
Brand names	6 years
Customer relationships	7 years

The estimated useful life and amortization method are reviewed during each financial year and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a prospective basis.

k) *Impairment of long-lived assets*

Long-lived assets, including property, plant and equipment and intangible assets are evaluated to determine whether there is any indication that these assets are impaired at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets (the CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

m) *Assets held for sale*

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

2. Significant accounting policies (continued)

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

n) *Share capital*

The Company's common shares are classified as equity instruments. Incremental costs directly related to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. For equity offerings of units consisting of a common share and warrant, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and the warrant using the relative fair value method.

o) *Revenue recognition*

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, with an element of variable consideration for sales allowances to account for the potential return of goods. Net revenue as presented in the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable taxes, expected price discounts, and allowances for customer returns.

Gross revenue from continuing and discontinued operations includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

Where the excise tax has been billed to customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenue from sale of goods, as presented on the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less applicable excise taxes. As excise tax payable/paid to CRA cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that affects gross margin to the extent that it is not recovered from its customers.

The Company's contracts with customers for the sales of infused cannabis, liquid sleep shots and sleep powder packets consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when the Company satisfies its performance obligation upon delivery to the customer.

The Company recognizes revenue under a bill-and-hold arrangement in very specific circumstances. Under bill-and-hold arrangements – whereby the Company bills a customer for product to be delivered at a later date – control typically transfers when the product is still in the Company's physical possession, and title and risk of loss has passed to the customer and the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the product even though it has decided not to exercise its right to take physical possession of that product. Performance obligations under the bill-and-hold arrangement involve the transfer of ownership of the products sold and the custodian services until the customer requests physical delivery. Revenue is recognized when all specific requirements for transfer of control under a bill-and-hold arrangement have been met.

p) *Profit (Loss) per share*

Basic profit (loss) per share is calculated by dividing net profit (loss) by the weighted average number of outstanding common shares during the year. Diluted profit (loss) per share is calculated similarly but includes potential dilution from the exercise of warrants and stock options, except when the effect would be anti-dilutive.

q) *Income taxes*

Income tax expense is comprised of current and deferred tax. Current and deferred income tax are recognized in the consolidated statements of operations and comprehensive loss except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income. Current income taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustments to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred

2. Significant accounting policies (continued)

income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities are presented as non-current.

r) *Share-based compensation*

The Company may grant stock options of the Company to allow directors, officers, employees and consultants to acquire common shares of the Company. Stock options granted to directors, officers and employees are measured at their fair values determined on the date of grant using the Black-Scholes option pricing model and recognized as an expense over the vesting periods of the options. Options granted to non-employees are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of the goods or services received cannot be measured. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. Consideration paid by on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from other reserves to share capital.

s) *Financial instruments*

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash	Fair value through profit or loss
Short term investments	Fair value through profit or loss
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost

Financial assets

All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as financial assets at fair value through profit or loss or amortized cost. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Accounts receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition accounts receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or amortized cost. Financial liabilities at fair value are stated at fair value with changes being recognized in the consolidated statement of loss and comprehensive loss. Financial liabilities at amortized cost are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

2. Significant accounting policies (continued)

Transaction costs

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period or whenever circumstances dictate. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows:

the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

t) *Leases*

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use (“ROU”) of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a lease liability and a corresponding ROU asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding right-of-use assets are measured at the amount equal to the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

The ROU asset, initially measured at an amount equal to the corresponding lease liability, is depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

As Lessor

Leases for which the Company is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company’s net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

2. Significant accounting policies (continued)

u) *Critical accounting estimates and judgments*

The preparation of these consolidated financial statements in conformity with IFRS 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 these 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 and in any future periods affected.

Inventory

Inventory is valued at the lower of cost and net realizable value. Determining net realizable value requires the Company to make assumptions about estimated selling prices in the ordinary course of business and the estimated variable costs to sell. Determining cost requires the Company to make estimates surrounding capacity and to allocate both direct and indirect costs on a systematic basis.

Impairment of long-lived assets

The assessment of any impairment on property, plant and equipment, right-of-use asset and intangible assets is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal and value in use, management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset specific risks.

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

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of the useful lives and when the asset is available for use is dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

Share-based compensation

In calculating share-based compensation expense, the Company includes key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's share price, and the risk-free interest rate.

Income taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depends on management's estimates of future cash flows. In addition, future 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.

v) Future changes in accounting policies:

The Company has not adopted any new standards in fiscal 2023. The Company is evaluating the impact of standards and interpretations that have been issued, but are not yet effective, up to the date of issuance of the consolidated financial statements. The adoption of these standards and interpretations are not expected to have a material impact on the consolidated financial statements.

3. Accounts receivable

	June 30 2023	June 30 2022
	$	$
Trade receivables	**2,384**	**1,377**
Other receivables	**-**	**50**
Taxes recoverable from governments	**205**	**149**
	2,589	**1,576**

The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. During the year ended June 30, 2023, there was $15 trade

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

3. Accounts receivable (continued)

receivables write-down (2022 - $161, related to previously classified discontinued operations activities). At the reporting date, the Company assessed the collectability of the balance and concluded that none of the receivables were uncollectible.

4. Short term investments

The Company's short-term investments consist of the Cann Group shares received as consideration for the sale of the Company's wholly owned subsidiaries Satipharm Limited, Satipharm AG and Phytotech Therapeutics Ltd. in the year ended June 30, 2021. The Cann Group shares were valued at the closing share price at the end of the reporting period. During the fiscal year ending June 30, 2022, the Company sold 4,892,868 shares, leaving a remainder of 105,693 shares.

The continuity of the Company's short-term investments is as follows:

	$
Balance, June 30, 2021	711
Additions	731
Disposal of shares, net of brokerage fees	(1,268)
Realized loss on disposal	(637)
Unrealized gain on changes in fair value	486
Unrealized loss on foreign exchange	3
Balance, June 30, 2022	26
Unrealized loss on changes in fair value	(15)
Balance, June 30, 2023	**11**

5. Inventories

The summary of the Company's inventories is as follows:

	June 30 2023	June 30 2022
	$	$
Infused licensed products		
Raw materials and work-in-progress	**35**	126
Finished goods	**162**	111
	197	237
Liquid sleep shots and sleep powder packets		
Raw materials and work-in-progress	**3**	-
Finished goods	**715**	904
	718	904
Pain relief creams		
Raw materials and work-in-progress	**841**	565
Finished goods	**653**	452
	1,494	1,017
Packaging and supplies	**238**	259
Inventory allowance	**(387)**	(197)
	2,260	2,220

a) *Infused licensed products*

Infused licensed products on hand as at June 30, 2023 and 2022 pertains to infused cannabis 2.0 products produced and held by the Company's licensee.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

5. Inventories (continued)

b) *Allowance and write-downs*

During the year ended June 30, 2023, the inventory write-down was $398 (2022 - $776). Due to estimation uncertainties and forecasting, including slow moving and expiry dates, it is not possible to predict whether the full carrying value of inventory can be recognized in the next 12 months. As such, during the year ended June 30, 2023, the Company applied $11 (2022 – $579) of the inventory written down to its respective inventories and the remaining amount is carried as an inventory valuation allowance of $387 (2022 – $197).

C) *Inventory recognized as cost of goods sold*

During the year ended June 30, 2023, the inventory recognized as cost of goods sold was $3,597 (2022 - $2,952).

6. Property, plant and equipment

The summary of the Company's property, plant and equipment is as follows:

	Plant and equipment	Office equipment	Construction in progress(i)	Right-of-use assets	Total
	$	$	$	$	$
Cost					
July 1, 2021	480	342	2,511	154	3,487
Additions	-	10	-	-	10
Transfers to assets held for sale (note 8)	-	-	(2,341)	-	(2,341)
Disposals and write-downs	-	-	(159)	-	(159)
June 30, 2022	480	352	11	154	997
Accumulated depreciation					
July 1, 2021	153	284	-	142	579
Depreciation	76	60	-	12	148
June 30, 2022	229	344	-	154	727
Net book value June 30, 2022	**251**	**8**	**11**	**-**	**270**
Cost					
July 1, 2022	480	352	11	154	997
Additions	-	-	-	-	-
Disposal	-	-	(11)	-	(11)
June 30, 2023	480	352	-	154	986
Accumulated depreciation					
July 1, 2022	229	344		154	727
Depreciation	72	8	-	-	80
June 30, 2023	301	352	-	154	807
Net Book Value June 30, 2023	179	-	-	-	179

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

6. Property, plant and equipment (continued)

(i) During the year ended June 30, 2023, the Company reclassified $nil of capitalized costs to assets held for sale (2022 - $2,341).

During the year ended June 30, 2023, the Company disposed of $11 of capitalized costs under construction in progress resulting in a loss on disposal of $11. During the year ended June 30, 2022, the Company disposed $159 of capitalized costs under construction in process and received $104 on the sale, resulting in a $55 loss on disposal.

7. Intangible assets

The summary of the Company's intangible assets is as follows:

	Brand names	Technology and formulations	In-process R&D	Customer relationships	Website and other	Total
	$	$	$	$	$	$
Cost						
July 1, 2021	6,043	2,154	398	1,540	123	10,258
Additions	-	-	-	-	12	12
Disposals and write-downs	-	-	(398)	-	-	(398)
June 30, 2022	6,043	2,154	-	1,540	135	9,872
Accumulated amortization						
July 1, 2021	2,014	1,463	-	679	70	4,226
Amortization	1,007	691	-	237	36	1.971
June 30, 2022	3,021	2,154	-	916	106	6,197
Net book value June 30, 2022	**3,022**	**-**	**-**	**624**	**29**	**3,675**
Cost						
July 1, 2022	6,043	2,154	-	1,540	135	9,872
Additions	-	-	-	-	41	41
June 30, 2023	6,043	2,154	-	1,540	177	9,914
Accumulated amortization						
July 1, 2022	3,021	2,154	-	916	106	6,197
Amortization	1,007	-	-	220	23	1,250
June 30, 2023	4,029	2,154	-	1,136	129	7,447
Net book value June 30, 2023	**2,015**	**-**	**-**	**404**	**47**	**2,466**

- $41 addition to website and others relates to accounting software implementation.

The remaining useful lives of intangible assets is as follows:
Brand names: Approximately 2 years after June 30, 2023
Customer relationships: Approximately 2 years after June 30, 2023
Website and others: Less than 1 year after June 30, 2023

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

8. Assets held for sale

The Company had the Lucky Lake Facility under construction in progress, which mainly related to the construction of a 68,000 square foot indoor flowering facility in Saskatchewan. The Company suspended active development of the facility since the beginning of the Company's strategic review of alternatives in February 2020 (the "Strategic Review") and classified it as assets held for sale in the amount of $2,341 as of June 30, 2022. In December 2022, the Company sold and transferred the title of the facility to a third party in Saskatchewan for total aggregate consideration of $3,000. As of the year ended June 30, 2023, the Company recorded a gain of on the disposal of the facility of $613 after the direct legal fees of $16 and other professional fees of $30 respectively. Total net proceeds from the sale were $2,954.

9. Accounts payable and accrued liabilities

The summary of the Company's accounts payable and accrued liabilities is as follows:

	June 30 2023	June 30 2022
	$	$
Trade payables	**2,192**	3,584
Accrued liabilities	**2,149**	1,744
Payroll liabilities	**155**	186
Other payables	**721**	591
	5,217	6,105

Trade payables, accrued liabilities, payroll liabilities and other payables are non-interest bearing. All amounts are expected to be settled within 12 months.

10. Loans and lease liabilities

The summary of the Company's loans and borrowings is as follows:

	Notes	**June 30 2023**	June 30 2022
		$	$
Secured and unsecured loans	(a)	**1,802**	1,819
Lease liabilities	(b)	**155**	288
Total loans and lease liabilities		**1,957**	2,107
Current portion	(b)	**(253)**	(436)
Non-current portion		**1,704**	1,671

a) *Secured and unsecured loans*

As at June 30, 2023, the Company has four remaining unsecured loans from the Atlantic Canada Opportunities Agency ("ACOA") (2022 – six remaining unsecured loans).

The summary of the unsecured loans continuity schedule at June 30, 2022 and 2023 are as follows:

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

10. Loans and lease liabilities (continued)

	Effective Interest Rate (ii)	Maturity	Face Value	Balance, July 1, 2021	Accretion	Repayments	Balance, July 1, 2022
			$	$	$	$	**$**
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,057	182	-	1,239
ACOA 202454	16%	2023	85	45	5	(40)	10
ACOA 203110	16%	2024	197	112	15	(40)	87
ACOA 205145	16%	2021	37	6	-	(6)	-
ACOA 206091	16%	2023	76	41	4	(24)	21
ACOA 206924	16%	2026	117	63	8	(20)	51
ACOA 207593	16%	(i)	484	420	(9)	-	411
Balance, June 30, 2022			3,856	1,744	205	(130)	1,819

	Effective Interest Rate(ii)	Maturity	Face Value	Balance, July 1, 2022	Accretion	Repayments	**Balance July 1, 2023**
			$	$	$	$	**$**
Loans assumed on acquisition							
ACOA 201210	16%	(i)	2,860	1,239	58	-	1,297
ACOA 202454	16%	2023	85	10	-	(10)	-
ACOA 203110	16%	2024	197	87	10	(38)	59
ACOA 206091	16%	2023	76	21	1	(22)	-
ACOA 206924	16%	2026	117	51	8	(20)	39
ACOA 207593	16%	(i)	484	411	(4)	-	407
Balance, June 30 ,2023			3,819	1,819	73	(90)	1,802

(i)The annual instalments are calculated as 5% to 10% of forecasted revenues from pipeline products for the calendar year immediately preceding the due date of the respective payment, with an estimated commencement date of August 31, 2024.

(ii) The effective interest rate used to calculate the fair value of the loans

The loans with ACOA are through the Atlantic Innovation Fund for the specified projects, in which repayable contributions are received by the Company to a maximum amount based on the lesser of: (i) a percentage of eligible costs, plus a percentage of working capital requirements for the project in certain instances, and (ii) a specified amount. The Company must meet certain conditions of assistance, which are specific to each agreement and project, including maintaining specified amounts of equity.

Maturity analysis - contractual undiscounted cash flow	**June 30 2023**	June 30 2022
	$	$
Less than 1 year	**94**	332
1 year	**709**	774
2 years	**225**	319
3 years	**300**	313
4 years	**300**	300
5 years and beyond	**1,810**	1,510
	3,438	3,548

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

10. Loans and lease liabilities (continued)

a) Lease liabilities

The continuity of the Company's lease liabilities is as follows:

	$
Balance, June 30, 2021	418
Interest expense on lease liabilities	49
Lease payments	(179)
Balance, June 30, 2022	288
Interest expense on lease liabilities	32
Lease payments	(165)
Balance, June 30, 2023	155
Current portion	(155)
Non-current portion	-

Maturity analysis - contractual undiscounted cash flow	**June 30 2023**	June 30 2022
	$	$
Less than 1 year	**155**	**165**
1 year	**-**	**165**
2 years	**-**	**-**
3 years and beyond	**-**	**-**
	155	**330**

During the years ended June 30, 2023 and 2022, the Company recorded $6 and $27 rent expense relating to short term leases.

11. General and administration expenses

The summary of the Company's general and administration expenses is as follows:

	June 30 2023	June 30 2022
	$	$
Insurance	**150**	156
Investor relations	**133**	114
Office and general	**376**	547
Professional and consulting services	**605**	995
Regulatory	**40**	17
Rent	**6**	27
Salaries, bonus and benefits	**2,538**	2,632
Travel	**81**	54
	3,929	4,542

12. Share capital

a) *Authorized*

The Company has an unlimited number of authorized common shares with no par value.

b) *Issued capital*

June 30, 2023 and 2022:

During the years ended June 30, 2023 and 2022, there were no common shares issued or stock options exercised.

At June 30, 2023, 252,617,854 common shares (June 30, 2022 – 252,617,854) were issued and fully paid.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

13. Other reserves

	Share-based awards (a)	Warrants (b)	Other	Total
	$	$	$	$
Balance, June 30, 2021	11,526	12,541	815	24,882
Share-based compensation	336	-	-	336
Warrants issued	-	16	-	16
Balance, June 30, 2022	11,862	12,557	815	25,234
Share-based compensation	152	-	-	152
Balance, June 30, 2023	**12,014**	**12,557**	**815**	**25,386**

a) *Share-based awards*

(i) Stock options

The Company has established a share option plan ("Plan") whereby the Company's Board may from time to time grant stock options to employees and non-employees. Options granted under the Plan will not have a term to exceed 10 years from the date of grant. The maximum number of common shares that may be reserved for issuance under the Plan is 21,507,948. Vesting is determined by the Board.

The continuity of the Company's stock options is as follows:

	Number outstanding	Weighted average exercise price
	#	$
Outstanding at June 30,2021	18,479,112	0.31
Expired	(1,677,319)	0.91
Forfeited	(1,598,652)	0.32
Outstanding as at June 30, 2022	15,203,141	0.24
Granted	4,900,000	0.05
Exercised	-	0.00
Expired	(877,625)	0.76
Forfeited	(2,952,778)	0.16
Outstanding at June 30, 2023	**16,272,738**	**0.17**

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

13. Other reserves (Continued)

During the year ended June 30, 2023, the Company granted certain directors, officers and employees of the Company an aggregate of 4,900,000 options (2022 – nil) to purchase common shares in the capital of the Company pursuant to its share option plan. The options are exercisable at a price of $0.05 per common share and will have an expiry date on October 31, 2027. The stock options vested immediately upon grant.

During the year ended June 30, 2023, the Company recorded $152 (2022 - $336) in share-based compensation relating to options vesting. The weighted average fair value of the options granted during the year ended June 30, 2023 was $0.02 (2021 - $nil).

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of stock options granted during the year ended June 30, 2023 and by applying the following assumptions:

	June 30, 2023	June 30 2022
Risk-free interest rate	**3.43%**	**-**
Expected life of options (years)	**5.00**	**-**
Expected annualized volatility	**126.20%**	**-**
Expected dividend yield	**Nil**	**Nil**

Volatility was estimated by using the historical prices of the Company's common shares. The expected life in years represents the period of time that the stock options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the stock option.

The number of options outstanding and exercisable under the Plan as at June 30, 2023 is as follows:

Expiry date	Number of stock options outstanding	Exercise price	Number of stock options exercisable
	#	$	#
September 18, 2023(i)	700,000	0.91	700,000
October 12, 2023(i)	297,500	0.61	297,500
April 22, 2024	775,000	0.85	775,000
July 31, 2024	150,000	0.56	150,000
July 14, 2025	3,411,667	0.09	3,411,667
December 7, 2025	1,500,000	0.08	1,250,000
April 8, 2026	4,538,571	0.12	4,538,571
October 31, 2027	4,900,000	0.05	4,900,000
	16,272,738		16,022,738

(i)Subsequent to June 30, 2023, these options expired unexercised.

(ii) Compensation options:

In connection with the issuance of Bought Deal Units, on March 17, 2021, the Company granted the underwriters 2,596,769 non-transferable Bought Deal Compensation Options equal to 7.0% of the number of Bought Deal Units issued. Each Bought Deal Compensation Option will entitle the holder to acquire one Bought Deal Unit at a price of $0.155 per Bought Deal Unit at any time until March 17, 2024.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

13. Other reserves (continued)

b) *Warrants*

The continuity of the Company's warrants is as follows:

	Brokers' RTO Warrants, Secondary Warrants	Compensation Warrants(i)	Hygrovest * Warrants	Bought Deal Warrants (ii)	Total number outstanding	Weighted average exercise price
					#	$
Outstanding at June 30, 2021	100,002	-	17,083,333	37,096,700	54,280,035	0.15
Issued	-	300,000	-	-	300,000	0.09
Expired	(100,002)		(17,083,333)		(17,183,335)	0.07
Outstanding at June 30, 2022	-	300,000	-	37,096,700	37,396,700	0.19
Outstanding at June 30, 2023	**-**	**300,000**	**-**	**37,096,700**	**37,396,700**	**0.19**

* Hygrovest Limited (Formerly MMJ Group Holdings Limited).

(i) Compensation Warrants

On July 26, 2021, the Company announced that it engaged an arm's length service provider (the "Consultant") to provide strategic advisory and consulting services to the Company (the "Consulting Services") for a 24-month period. On September 27, 2021, the Company issued 300,000 Consultant Warrants. Each Consultant Warrant will entitle the holder to purchase one common share at a price of $0.09 per share with an expiry date of September 27, 2023. The fair value of the Consultant Warrants in the amount of $16 was estimated at the time of issuance. Subsequent to June 30, 2023, these warrants expired unexercised.

(ii) Bought Deal Warrants

On March 17, 2021, the Company issued 37,096,700 Bought Deal Units at a price of $0.155 per Bought Deal Unit. Each Bought Deal Units Unit consists of one common share of the Company and one common share purchase warrant (a "Bought Deal Warrant"). Each Bought Deal Warrant entitles the holder thereof to purchase one common share at an exercise price of $0.195 at any time until March 17, 2024.

The fair value of the Bought Deal Warrants was estimated at $2,308 at the time of issuance.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

13. Other reserves (continued)

The Company's outstanding warrants at June 30, 2023 is as follows:

	Issued	Outstanding	Exercise price	Expiry date
	#	#	$	
Bought Deal Warrants	37,096,700	37,096,700	0.20	17-Mar-24
Compensation Warrants	300,000	300,000	0.09	27-Sep-23
	37,396,700	**37,396,700**		

14. Related parties

The summary of the Company's related party transactions during the years ended June 30, 2023 and 2022 is as follows:

a) *Compensation of key management personnel*

Key management personnel ("KMP") include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The KMP of the Company are the members of the Company's executive management team and Board. Compensation provided to KMP is as follows:

b) *Payments to related parties*

	June 30 2023	June 30 2022
	$	$
Salaries, bonus and benefits	**867**	644
Directors' fees	**240**	240
Share-based compensation	**95**	229
Total	**1,202**	1,113

As at June 30, 2023, there was $480 directors' fees and management bonuses (June 30, 2022 – $220) included in accounts payable and accrued liabilities.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

15. Revenue and other geographical information

The Company generates net revenue from two geographical locations:

	June 30 2023	June 30 2022
Net revenue	**$**	$
Canada	**3,128**	3,603
US	**6,663**	4,536
Total	**9,791**	8,139

The Company attributes revenue to the geographical area based on the country where the sale occurred in accordance with the revenue recognition policies of the Company,

Net revenues in each geographical location relate to the sale of the following:

- Canada – Dream Water™ liquid sleep shots and sleep powder packets, and LivRelief™ pain relief creams
- US – Dream Water™ liquid sleep shots and sleep powder packets

The Company's non-current assets are all in Canada.

16. Segment information

The principal activities of the Company are to provide innovative lifestyle and health and wellness products to consumers and patients in regulated markets around the world through its subsidiaries: Dream Water and Delivra. As at June 30, 2023, the Company operates in a single reportable segment.

17. Major customers

During the year ended June 30, 2023, the Company reported net revenues from three major customers over 10% of its total net revenue. The first, second and third customers represented approximately $3,953 (2022 - $448), $1,392 (2022 - $1,357), and $1,055 (2022 - $512), respectively, of total net revenue of the Company.

18. Commitments and contingencies

The Company settled outstanding accounts payable from its previously discontinued operations resulting in a gain due to extinguishment of balances outstanding of payables and accrued interest and penalties of $896 (2022 - $230).

The Below is a summary of settlements related to statements of claims settled and included in the balance above:

On March 19, 2022, Kadco Electric Inc. (the "Contractor"), a contractor of the Company's previous cannabis business of United Greeneries Operations LTD & United Greeneries Holdings LTD. issued a statement of claim against the Company claiming, among other things, breach of trust and unjust enrichment related to unpaid debt of $163. On July 25, 2022, the Company issued a statement of defense and counterclaim of $161 against the Contractor claiming, among other things, the Company had overpaid based for services rendered based on the life to date percentage of completion of the project conducted by the Contractor. In December 2022, the Company reached an agreement with Kadco to settle the claim by paying $75 resulting in recognizing an accounting gain of $65.

On July 19, 2022, Jonathan Carroll (the "Consultant") issued a statement of claim against the Company claiming, among other things, damages for breach of contract and exemplary damages of $134 and an order for the delivery of the balance of the unissued Consultant Warrants of 1,200,000 units. The Company did not accrue for such claims. On September 14, 2022, the Company issued a statement of defense and counterclaim of $200 against the Consultant claiming, among other things, damages for negligent misrepresentation, breach of contract and breach of its duty of good faith and honest performance of its contractual obligations. On October 21, 2022, the Consultant issued a reply and defense to the counter-claim. In February 2023, the Company reached a settlement agreement to settle the claim by paying $36 resulting in a loss of $13 and the cancellation of the unissued Consultant Warrants of 1,200,000 units.

During the year ended June 30, 2020, United Greeneries Operations, a subsidiary of the Company, was named as the defendant in a civil claim (the "Claim") filed in the Supreme Court of British Columbia in respect of the termination of the lease agreement for land and property in Aldergrove, British Columbia in August 2018. The Company has accrued $250 as at June 30, 2021. In November 2021, the two parties reached an agreement to settle the entire claim in the amount of $35, which resulted in a $215 gain as a reduction in the Company's liabilities.

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

19. Financial instruments and risk

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at June 30, 2023, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD") and Australian Dollars ("AUD"). A 10% appreciation (depreciation) of USD or AUD against the CAD, with all other variables held constant, would result in an insignificant change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at June 30, 2023, the Company is exposed to credit risk in the amount of the carrying amount of the Company's cash and accounts receivable. As of June 30, 2023, the maximum credit risk for the Company was approximately $5,310 (2022 – $2,660).

As at June 30, 2023, the Company's aging of receivables was approximately as follows**:**

	June 30 2023	June 30 2022
	$	$
0 – 60 days	**2,209**	1,242
Over 60 days	**175**	135
	2,384	1,377

Credit concentration

As at June 30, 2023, the Company's major customers balance of accounts receivable was approximately $1,927 (2022 - $635).

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's loans bear interest at fixed rates and as such the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of $7,918 (2022: $7,485) and current liabilities of $5,470 (2022: $6,541). The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. As at June 30, 2023, the

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

19. Financial instruments and risk (continued)

Company does not have a significant exposure to price risk as the Company does not possess financial instruments that are susceptible to a high degree of variability in the movements of equity or market prices.

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

During the year ended June 30, 2023, there were no transfers of amounts between fair value levels.

Cash and short-term investments are classified as a Level 1 financial instrument.

The Company's other financial instruments, including accounts receivable, and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. The carrying value of the Company's non-current portion of loans and borrowings approximate fair value as they bear a market rate of interest.

20. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of shareholders' equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended June 30, 2023.

21. Income Taxes

The provision for income taxes reported differs from the amounts computed by applying statutory Canadian federal and provincial tax rates to the loss before tax due to the following:

	June 30 2023	June 30 2022
	$	$
Income (loss) before income taxes	**(184)**	(7,009)
Statutory tax rates	**27%**	27%
Recovery of income taxes computed at statutory rates	**(50)**	(1,892)
Non-deductible expenses and permanent items	**46**	292
Effect of assets held for sale and sold	**-**	-
Differing effective tax rates in foreign jurisdictions	**(45)**	(41)
Impact of change in statutory tax rates	**-**	-
Adjustment to prior year tax estimates	**(3,940)**	6,413
Change in unrecognized deferred tax assets	**3,990**	(4,794)
Impact of foreign exchange and other	**(1)**	22
Total income tax (expense) recovery	**-**	-

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

21. Income Taxes (continued)

The approximate tax effect of each item that gives rise to the Company's recognized deferred tax assets and liabilities as at June 30, 2023 and June 30, 2022 are as follows:

	June 30 2023	June 30 2022
	$	**$**
Deferred tax assets		
Non-capital losses	**218**	532
Total deferred tax assets	**218**	532
Deferred tax liabilities		
Intangible assets	**(218)**	(532)
Property, plant and equipment	**-**	(460)
Total deferred tax liabilities	**(218)**	(992)
Net deferred tax liabilities	**-**	(460)

The Company has the following deductible temporary differences, losses and tax credits for which no deferred tax assets have been recognized:

	June 30 2023	Expiry dates	June 30 2022
	$	$	$
Non-capital losses	**110,311**	2026-2043	97,114
Property, plant and equipment	**1,662**	no expiry	951
Intangible Assets	**6,588**	no expiry	7,252
Financing fees	**600**	2044 - 2045	948
Other	**18,019**	no expiry	17,994
Total	**137,180**		124,259

The Company's total deferred tax assets, liabilities including unrecognized amounts.

	June 30 2022	Recovered through (charged to) earnings	**June 30 2023**
	$	$	**$**
Deferred tax assets			
Non-capital losses	26,521	3,253	**29,774**
Finance costs	256	(94)	**162**
Biological assets	1,523	(139)	**1,384**
Property, plant and equipment	255	193	**448**
Other	2,609	3	**2,612**
Total deferred tax assets	31,164	3,216	**34,380**
Deferred tax liabilities			
Intangible assets	(532)	314	**(218)**
Property, plant and equipment	(460)	460	**-**
Total deferred tax liabilities	(992)	774	**(218)**
Net deferred tax assets (liabilities)	30,172	3,990	**34,162**
Deferred tax assets not recognized	(30,172)	(3,990)	**(34,162)**
Deferred tax liabilities	-	-	**-**

At December 31, 2023, the Company has non-capital loss carry forwards in Canada aggregating $ 107,826 (June 30,

(Expressed in thousands of Canadian dollars, except per share and per share amounts)

21. Income Taxes (continued)

2022: $95,690) which expire over the period between 2026 and 2043, available to offset future taxable income in Canada. The Company has capital loss carry forward in Canada of $17,566 (June 30, 2022: $17,566) which are only available to offset future capital gains for Canadian tax purposes and may be carried forward indefinitely.

At December 31,2023, the Company has non-capital loss carry forwards in United States of America aggregating

$3,294 (June 30, 2022: $3,395) which expire over the period between 2043 and indefinite, available to offset future taxable income in the United States of America.

The Company has accumulated non-capital losses from various jurisdictions for the year ended June 30, 2023 for income tax purposes, which may be deducted in the calculation of taxable income in future years. The Canadian non-capital losses will be expiring between 2026 and 2043:

	June 30 2023	June 30 2022
	$	$
Canada	**107,826**	95,690
USA	**3,294**	3,395
Total	**111,120**	99,085