

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT  
ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF BZAM LTD., BZAM HOLDINGS INC., BZAM  
MANAGEMENT INC., BZAM CANNABIS CORP., FOLIUM LIFE  
SCIENCE INC., 102172093 SASKATCHEWAN LTD., THE GREEN  
ORGANIC DUTCHMAN LTD., MEDICAN ORGANIC INC., HIGH ROAD  
HOLDING CORP. and FINAL BELL CORP.

Applicants

**MOTION RECORD OF CORTLAND CREDIT LENDING CORPORATION  
(MOTION FOR SECURITY FOR COSTS)**

April 24, 2024

**CASSELS BROCK & BLACKWELL LLP**  
Suite 3200, Bay Adelaide Centre - North Tower  
40 Temperance Street  
Toronto, ON M5H 0B4

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Lawyers for Cortland Credit Lending Corporation

TO: **SERVIST LIST**

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Applicants

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Court File No. CV-24-00715773-00CL

**ONTARIO  
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Applicants

**NOTICE OF MOTION**

Cortland Credit Lending Corporation ("**Cortland**") will make a Motion to the Court on a date to be set by the registrar, or as soon after that time as the Motion can be heard.

**PROPOSED METHOD OF HEARING:** The Motion is to be heard

In writing as an opposed motion under subrule 37.12.1(4);

**THE MOTION IS FOR**

- (a) An order requiring Final Bell Holdings International Ltd. ("**Final Bell**") to post \$243,595.34 into Court as security for Cortland's costs;
- (b) The costs of this motion; and
- (c) Such further and other Relief as to this Honourable Court may deem just.

-2-

## THE GROUNDS FOR THE MOTION ARE

### *Background – Motion for Rescission*

- (a) Final Bell became a shareholder of BZAM Ltd. (“**BZAM**”) pursuant to a Share Exchange Agreement dated December 5, 2023 (the “**Share Exchange Agreement**”).
- (b) Under the Share Exchange Agreement, BZAM acquired Final Bell’s Canadian subsidiary Final Bell Canada Inc. (“**FBC**”), together with FBC’s subsidiary, Final Bell Corp.
- (c) On February 28, 2024, BZAM and certain of its subsidiaries that include FBC and Final Bell Corp. (collectively, the “**Applicants**”), sought protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (“**CCAA**”).
- (d) On March 19, 2024, Final Bell brought a motion to rescind the Share Exchange Agreement on the basis of allegations of fraudulent misrepresentation.
- (e) Cortland is the Applicants’ pre-filing senior secured lender and the DIP Lender pursuant to the CCAA Initial Order granted on February 28, 2024, as amended.
- (f) Cortland will be prejudiced by the order sought by Final Bell as Cortland has extended credit to BZAM based on the combined asset base that includes

-3-

the assets of FBC and Final Bell Corp. As a party affected by the outcome of the motion/summary trial, Cortland is a respondent.

***Final Bell Status as the Moving Party***

- (g) Final Bell is a U.S. based cannabis company. Final Bell was originally incorporated in 2012 as a mining company under the name “Karsten Energy Corp.” until its name was changed to Final Bell in 2021. Final Bell is a reporting issuer in the principal jurisdiction of British Columbia. As such, Final Bell is not ordinarily resident in Ontario.
- (h) In November 2022, Final Bell completed a series of transactions pursuant to which it acquired a group of companies including Final Bell Holdings, Inc., a Delaware corporation, 14<sup>th</sup> Round Inc, a Delaware corporation, and FBC.
- (i) There is no evidence that Final Bell is impecunious.
- (j) There is good reason to believe that Final Bell does not have sufficient assets in Ontario to pay Cortland’s costs if ordered to do so.
- (k) Final Bell has at all material times been (and remains) balance-sheet insolvent. Its most recent publicly disclosed financial statements are the condensed consolidated financial statements as of and for the three and nine months ended December 31, 2022 and 2021. These financial statements reveal that its total assets were USD \$72,575,890, and its total

-4-

liabilities USD \$86,015,166, with its liabilities therefore exceeding its total assets by USD \$13,439,276 as at December 31, 2022.

- (l) Final Bell's condensed consolidated financial statements as of and for the years ended March 31, 2022 and March 31, 2023 (which remain unaudited and not publicly disclosed) show total assets of Final Bell decreased to USD \$71,413,507 while its total liabilities grew to USD \$100,443,891. As at March 31, 2023, Final Bell's total liabilities exceeded its total assets by USD \$29,030,384.
- (m) Final Bell's condensed consolidated statement of financial position as at March 31, 2023 show that it suffered losses from operations in the amount of USD \$17,710,102, and that it suffered net losses of USD \$52,201,853.
- (n) It would be unjust for Cortland to be put in a position of having to respond to the motion/summary trial for rescission of the Share Exchange Agreement without the ability to recover its legal costs in the event that Final Bell is unsuccessful.
- (o) Cortland has incurred approximately \$126,521.10 (excluding HST) in partial indemnity legal fees in respect to the motion/summary trial brought by Final Bell thus far, and estimates it will incur partial indemnity legal fees of approximately \$84,711.00 (excluding HST) to end of the summary trial.
- (p) An order for security for costs is just in these circumstances.

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- (q) Rules 1.04, 1.05, 56.01, 56.02, 56.03, 56.04, and 56.05 of the *Rules of Civil Procedure*; and
- (r) Such further and other grounds as counsel may advise and this Honourable Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the Motion:

- (a) The Affidavit of Jonathan Shepherd sworn April 24, 2024;
- (b) The pleadings in this motion/summary trial; and
- (c) Such further and other evidence as counsel may advise and this Honourable Court may permit.

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April 24, 2024

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Lawyers for Cortland Credit Lending Corporation

TO: **SERVICE LIST**



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Applicants

Court File No. CV-24-00715773-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
  
PROCEEDING COMMENCED AT  
TORONTO

**NOTICE OF MOTION**

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Applicants

**AFFIDAVIT OF JONATHAN SHEPHERD  
SWORN APRIL 24, 2024**

I, Jonathan Shepherd, of the City of Toronto, in the Province of Ontario, MAKE  
OATH AND SAY:

1. I am an associate with Cassels Brock & Blackwell LLP ("**Cassels**"), lawyers for Cortland Credit Lending Corporation ("**Cortland**"), and as such, have knowledge of the matters contained in this Affidavit. Where the information in this Affidavit is based upon information and belief, I have indicated the source and believe it to be true.

***Final Bell Holdings International Ltd.***

2. I have reviewed the Sedar+ profile for Final Bell Holdings International Ltd. ("**Final Bell**") and as a result verily believe the following paragraphs – numbered 3 through to 8 – to be true.

-2-

3. The “Company Details” page on Sedar+ shows that Final Bell is a public company with a head office at 1000-925 West Georgia St., Vancouver, British Columbia, V6C 3L2, Canada. It is a reporting issuer with the principal jurisdiction of British Columbia and reporting jurisdictions of Alberta and British Columbia. Final Bell is subject to an “Active cease trade order” (set out in more detailed below). A copy of the Sedar+ “Company Details” page for Final Bell is marked and attached hereto as **Exhibit “1”**.

4. The “Regulatory Actions” defaults subpage on Sedar+ shows that Final Bell is noted in default of certain securities law requirements. The nature of default include that Final Bell has failed to file:

- (a) their annual financial statements (1(a));
- (b) their interim financial statements (1(b));
- (c) their annual or interim management discussion and analysis (MD&A) or annual or interim management report of fund performance (MRFP) (1(c));  
and
- (d) their certification of annual or interim filings under Multilateral Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (MI 52-109) (1(e)).

A copy of the Sedar+ “Regulatory Actions” defaults subpage for Final Bell is marked and attached hereto as **Exhibit “2”**.

5. The “Regulatory Actions” cease trade orders subpage shows all active and inactive orders and supporting documents. Final Bell is subject to a failure to file cease trade order (“**FFCTO**”) that was issued on August 14, 2023. Final Bell has obtained a partial revocation of the FFCTO on September 27, 2023 and January 9, 2024. A copy of the Sedar+ “Regulatory Actions” cease trade orders subpage for Final Bell is marked and attached hereto as **Exhibit “3”**. A copy of the FFCTO order that was issued August 14, 2023 is attached as **Exhibit “4”**.

6. The last filed Management Discussion and Analysis of Final Bell was made as of March 7, 2023. The Management Discussion and Analysis of Final Bell details that effective November 30, 2022, Final Bell completed a series of transactions (collectively the “**Business Combination**”) pursuant to which it acquired the group of companies known as the Final Bell Group, including Final Bell Holdings, Inc., a Delaware corporation (“**FBH**”), 14th Round Inc., a Delaware corporation (“**14R**”), Final Bell Canada Inc., an Ontario corporation (“**FBC**”), and their respective subsidiaries and managed entities. A copy of the Management Discussion and Analysis of Final Bell is attached and marked hereto as **Exhibit “5”**.

7. The last filed Condensed Interim Consolidated Financial Statement is as of and for the three and nine months ended December 31, 2022 and 2021 (unaudited). A copy of the Consolidated Financial Statement last filed on Sedar is attached and marked as **Exhibit “6”**.

8. Final Bell produced a number of records pursuant to Redfern requests in respect to their motion for rescission (detailed below). Final Bell produced:

-4-

- (a) Condensed consolidated financial statements as of and for the years ended March 31, 2022 and March 31, 2023 (which remain unaudited and not publicly disclosed). A copy of these financial statements is attached and marked hereto as **Exhibit “7”**.
- (b) consolidated statement of financial position as at September 30, 2023. A copy of the statement of financial position is attached and marked hereto as **Exhibit “8”**.

***Final Bell Enters into Share Exchange Agreement With BZAM***

9. On December 5, 2023, Final Bell and BZAM Ltd. entered into the Share Exchange Agreement. The Share Exchange Agreement is not attached as an exhibit to this affidavit. The Share Exchange Agreement can be accessed on Sedar+ via the link set out in the footnote.<sup>1</sup>

10. I am advised by Deepak Alappatt, and verily believe to be true that, on January 8, 2024, Cortland, the existing lender to BZAM, through a credit with one of BZAM’s subsidiaries, The Green Organic Dutchman Ltd. (“**TGOD Ltd**”), executed a further amended and restated credit agreement (the “**Second ARCA**”) A copy of the Second ARCA is attached and marked hereto as **Exhibit “9”**.

---

<sup>1</sup> <https://www.sedarplus.ca/csa-party/viewInstance/resource.html?node=W5959&drmKey=877d5322397fc86b&dr=ss178f778892a257a798b28cfa43ccd93b5611fc3b60c13d294a8ad57fbe2df383207bd1ca9892fc4f5f94c912eab14d15ux&id=0c11f8b7998bcd96e233df70d588fb723353f5305d023e08>

***Procedural History of Rescission Motion***

11. I have reviewed the FTI Consulting page for the BZAM CCAA proceedings and as a result verily believe the following paragraphs – numbered 12 through to 17 – to be true.

12. On February 28, 2024, BZAM, along with the other Applicants, including FBC and Final Bell Corp, applied for protection under the CCAA.

13. Cortland, in its capacity as agent for the Lenders, agreed to provide a debtor-in-possession credit facility (the “**DIP Facility**”) to the Applicants in their CCAA proceedings. A copy of the DIP Facility, as found on the FTI Consulting page for BZAM, is attached and marked hereto as **Exhibit “10”**.

14. On March 19, 2024, Final Bell brought a motion seeking an order rescinding the Share Exchange Agreement, and, in the alternative, an order directing a further hearing to determine an appropriate alternative remedy.

15. The motion was scheduled and timetabled on an urgent and expedited basis and characterized as a summary trial. The trial was scheduled to be heard on Monday April 22, 2024.

16. On April 16, 2024, Final Bell amended their notice of motion amending their relief to include, in addition or in the alternative, equitable compensation and seeking costs of the proceeding.

-6-

17. On April 19, 2024, Final Bell sought and obtained an adjournment for the trial scheduled for Monday April 22, 2024. The adjournment allowed Final Bell to conduct a further examination. A new trial date has not been fixed.

***Cortland's Incurred and Anticipated Costs***

18. Cassels has prepared a bill of costs outlining costs that it has incurred in relation to the rescission motion thus far. In particular, the bill of costs outlines Cortland's partial indemnity basis (60% of actual costs). As of April 23, 2024, Cortland has incurred partial indemnity costs of approximately \$126,521.10 (excluding HST).

19. Cassels has also estimated the costs that will be incurred to the end of trial. Cassels anticipates that to conduct further intermediate steps and trial, Cortland will incur approximately \$84,711.00 in additional fees (excluding disbursements and HST) on a partial indemnity basis.

20. A true copy of Cortland's bill of costs/costs estimate, which contains a breakdown of all estimated expenses, is attached and marked as **Exhibit "11"**.

**SWORN** by Jonathan Shepherd at the City of Toronto, in the Province of Ontario, before me on April 24, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits  
(or as may be)

Sarah Kemp LSO #85519T



**Jonathan Shepherd**

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF BZAM LTD., BZAM HOLDINGS INC., BZAM MANAGEMENT INC., BZAM CANNABIS CORP., FOLIUM LIFE SCIENCE INC., 102172093 SASKATCHEWAN LTD., THE GREEN ORGANIC DUTCHMAN LTD., MEDICAN ORGANIC INC., HIGH ROAD HOLDING CORP. and FINAL BELL CORP  
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**Jonathan Shepherd LSO#: 77482H**  
Tel: 416.642.7462



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[jshpherd@cassels.com](mailto:jshpherd@cassels.com)

Lawyers for Cortland Credit Lending Corporation

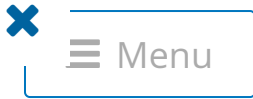
This is Exhibit "1" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

---

*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #85519T


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# Final Bell Holdings International Ltd. (000034178)

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[Company details](#)   [Regulatory actions](#)

## On this page

[Documents](#)
[Size and industry](#)
[Profile details](#)
[classification](#)
[Company identification](#)
[Securities](#)
[Reporting issuer details](#)
[Associated entities](#)
[Formation details](#)
[Previous issuers](#)
[Financial year end](#)

## Documents

[Search and download documents for this profile](#)

## Profile details

**Cease trade order flag (including MCTO)**

***i*** [Active cease trade order](#)

**Profile number**

000034178

**Status**

Public

**Full legal company name in English**

Final Bell Holdings International Ltd.

**Full legal company name in French**

Final Bell Holdings International Ltd.

**Effective from date**

28 Nov 2012

▼ [Hide previous name history](#)

**Previous name in English**

KARSTEN ENERGY CORP.

**Previous name in French**

KARSTEN ENERGY CORP.

↑ **Effective up to date**

01 Jan 1500

✘ is company is an Investment Fund Manager No

This company is an Underwriter No

Head office address 1000-925 West Georgia St., Vancouver, British Columbia, V6C 3L2, Canada

Mailing address 1000-925 West Georgia St., Vancouver, British Columbia, V6C 3L2, Canada

Telephone number +1 (604) 662-8808 (Main)

Fax number

Email address [ir@finalbell.com](mailto:ir@finalbell.com)

Website [www.finalbell.com](http://www.finalbell.com)

## Company identification

Legal Entity Identifier (LEI)

## Reporting issuer details

Reporting issuer Yes

Over-The-Counter (OTC) issuer No

Exchangeable Security or Credit Support issuer Not applicable

Capital Pool Company (CPC) No


Eligible for short form prospectus No

Principal jurisdiction British Columbia

Reporting jurisdiction(s) Alberta, British Columbia

## Formation details

↑ Date of formation 28 Nov 2012

 Inner of formation	Corporation
Jurisdiction where formed	Canada, British Columbia
Chief Executive Officer (CEO) - full legal name	MEYER, Robert
Chief Financial Officer (CFO) - full legal name	ADAMS, Keith

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## Financial year end

Type of financial year end	Fixed year end
Financial year end	March 31

---

## Size and industry classification

NAICS	000000 - NAICS Unknown
Size of issuer (assets)	\$100 million to under \$500 million

---

## Securities

Listed on an exchange or other market place	No
---	----

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## Associated entities

Transfer agent or registrar	Computershare Investor Services Inc. 510 BARRARD St., Vancouver, British Columbia, V6C 3B9, Canada T: +1 (000) 000-0000 F: [Not Provided] <a href="mailto:service@computershare.com">service@computershare.com</a>
-----------------------------	--

 Auditor	Davidson & Company LLP / Davidson & Company LLP
--	---



1200 - 609 Granville Street, P.O. Box 10372,  
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Canada

22

T: +1 (604) 900-9230

[dconnelly@davidson-co.com](mailto:dconnelly@davidson-co.com)

---

## Previous issuers

Previous issuer(s) No

---

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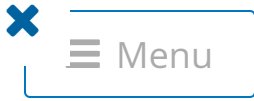
This is Exhibit "2" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.



---

*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #85519T



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# Final Bell Holdings International Ltd. (000034178)



[Company details](#)   [Regulatory actions](#)

[Defaults](#)   [Cease trade orders](#)   [Disciplinary actions](#)   [Temporary orders](#)

## Defaults

Default codes will appear when a reporting issuer is currently noted in default of certain securities law requirements.

Click [here](#) for a description of the defaults.

Jurisdiction	Nature of default
AB	1a,1b,1c,1e

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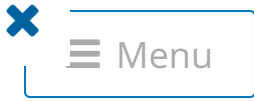
This is Exhibit "3" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

---

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Sarah Kemp LSO #85519T



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# Final Bell Holdings International Ltd. (000034178)



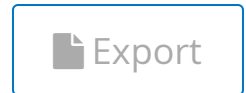
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## Cease trade orders


Filter by regulatory action number

Displaying 1-5 of 5 results



Regulatory action number	Issued date	Supporting documents	Ban trading type	Ban trading status	Issuing jurisdiction(s)	Ban trading expiry date
<a href="#">RA00046879</a>	09 Jan 2024	<a href="#">Partial revocation order.pdf</a>	Ban trading OF with or without exceptions	Active	BC	



 Regulatory action number	Issued date	Supporting documents	Ban trading type	Ban trading status	Issuing jurisdiction(s)	Ban trading expiry date
<a href="#">RA00046023</a>	27 Sep 2023	<a href="#">Partial revocation order.pdf</a>	Ban trading OF with or without exceptions	Active	BC	
<a href="#">RA00045582</a>	14 Aug 2023	<a href="#">Failure to file cease trade order (FFCTO).pdf</a>	Ban trading OF with or without exceptions	Active	BC	
<a href="#">100018462</a>	08 Mar 2023	<a href="#">Revocation order.pdf</a>	Ban trading OF with or without exceptions	Inactive	BC	



Regulatory action number	Issued date	Supporting documents	Ban trading type	Ban trading status	Issuing jurisdiction(s)	Ban trading expiry date
<a href="#">100004336</a>	07 Mar 2023	<a href="#">Failure to file cease trade order (FFCTO).pdf</a>	Ban trading OF with or without exceptions	Inactive	BC	

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A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #85519T

Citation: 2023 BCSECCOM 402

## Cease Trade Order

**Aurora Solar Technologies Inc.  
Final Bell Holdings International Ltd.  
XMachina AI Group Inc.**  
(each referred to separately as the Issuer)

### Under the securities legislation of British Columbia (Legislation)

#### Background

- ¶ 1 This is the order of the regulator of the British Columbia Securities Commission (the Decision Maker).
- ¶ 2 The Issuer has not filed the following periodic disclosure required by the Legislation:
  1. annual audited financial statements for the year ended March 31, 2023,
  2. annual management’s discussion and analysis for the year ended March 31, 2023,
  3. certification of annual filings for the year ended March 31, 2023.
- ¶ 3 As a result of this order, if the Issuer is a reporting issuer in a jurisdiction in which Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions* applies, a person or company must not trade in or purchase a security of the Issuer in that jurisdiction, except in accordance with the conditions that are contained in this order, if any, for so long as this order remains in effect.
- ¶ 4 Further, this order takes automatic effect in each jurisdiction of Canada that has a statutory reciprocal order provision, subject to the terms of the local securities legislation.

#### Interpretation

- ¶ 5 Terms defined in the Legislation, National Instrument 14-101 *Definitions* and National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* have the same meaning if used in this order, unless otherwise defined.

#### Order

- ¶ 6 The Decision Maker is satisfied that the decision concerning the cease trade meets the test set out in the Legislation to make this decision.
- ¶ 7 It is ordered under the Legislation that trading cease in respect of each security of the Issuer.
- ¶ 8 Despite this order, a beneficial securityholder of the Issuer who is not, and was not at the date of this order, an insider or control person of the Issuer, may sell securities of the Issuer acquired before the date of this order if both of the following apply:
  1. the sale is made through a “foreign organized regulated market”, as defined in section 1.1 of the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada; and

2. the sale is made through an investment dealer registered in a jurisdiction of Canada in accordance with applicable securities legislation.

¶ 9 August 14, 2023

Michael Moretto, CPA, CA, CPA (Illinois)  
Deputy Director, Corporate Disclosure



This is Exhibit "5" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #:85519T

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**

(the "Company")

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED  
DECEMBER 31, 2022****Date and Subject of this Discussion and Analysis**

This management discussion and analysis ("MD&A"), made as of March 7, 2023, is integral to, and should be read in conjunction with, Company's unaudited condensed consolidated interim financial statements for the three and nine months ended December 31, 2022, and the Company's audited consolidated financial statements for the year ended March 31, 2022. These financial statements, and additional information relating to the Company, are available for viewing at [www.sedar.com](http://www.sedar.com).

**Basis of Presentation**

The Company's financial information is prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. All figures are stated in United States dollars (" \$" or "US\$"), unless otherwise indicated.

**Cautionary Statement Regarding Forward-Looking Statements**

This document may contain "**forward-looking information**" (as defined under applicable securities laws). In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. This forward-looking information relates to future events or future performance including with respect to (i) the Company's objectives and priorities for fiscal year 2023 and beyond; (ii) the performance of the Company's business and operations; (iii) the Company's expectations regarding revenues, expenses and anticipated cash needs; (iv) the Company's expectations regarding future acquisitions, its ability to source investment opportunities and complete future acquisitions, its ability to finance such acquisitions and the expected timing and impact thereof; (v) the competitive conditions of the industry; (vi) the competitive advantages of the Company; (vii) the Company's strategic partnerships and the expected impact thereof; and (viii) the expected future business strategy, competitive strengths, goals, expansion and growth of the Company's business, including operations and plans, new revenue streams and cultivation and licensing assets.

Forward-looking information contained herein reflects management's current beliefs, expectations and assumptions and is based on information currently available to management, management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking information contained herein, the Company has made assumptions regarding, among other things: (i) its ability to generate cash flows from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory and political conditions in which the Company operates; (iii) the output from the Company's operations; (iv) consumer interest in the Company's products; (v) competition; (vi) anticipated and unanticipated costs; (vii) government regulation of the Company's activities and products and in the areas of taxation and environmental protection; (viii) the timely receipt of any required regulatory approvals; (ix) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (x) the Company's ability to conduct operations in a safe, efficient and effective manner; (xi) that the Company will meet its future objectives and priorities; (xii) that the Company will have access to adequate capital to fund its future projects and plans; (xiii) that the Company's future projects and plans will proceed as anticipated; (xiv) industry growth rates; and (xv) currency exchange and interest rates.

By its very nature, forward-looking information involves inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking information. In evaluating forward-looking information, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking information. These factors include, but are not limited to, market and general economic conditions and the risks and uncertainties discussed in the section entitled "Risk Factors".

The forward-looking information contained in this MD&A is presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the Company as at the periods indicated and may not be appropriate for other purposes. Forward-looking information contained in this MD&A is not a guarantee of future performance and, while forward-looking information is based on certain assumptions that the Company considers reasonable, actual events and results could differ materially from those expressed or implied by forward-looking information. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Company and not place undue reliance on forward looking information. Circumstances affecting the Company may change rapidly. Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward-looking information, whether as a result of new information, future events or otherwise.

## **About the Company**

### *Final Bell Holdings International Ltd.*

The Company was incorporated as Karsten Energy Corp. under the *Business Corporations Act* (British Columbia) on November 28, 2012, and was classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "TSX-V") Policy 2.4. On November 18, 2014, the Company completed its qualifying transaction and was listed on the TSX-V as a tier 2 mining issuer. Listing of the Company's common shares was transferred to the NEX Board of the TSX-V on January 31, 2017. The Company's common shares were voluntarily delisted from the NEX Board on April 30, 2021. On October 27, 2021, the Company filed articles of amendment under the BCBCA changing its name from "Karsten Energy Corp." to "Final Bell Holdings International Ltd."

Effective November 30, 2022, the Company completed a series of transactions (collectively the "**Business Combination**") pursuant to which it acquired the group of companies known as the Final Bell Group, including Final Bell Holdings, Inc., a Delaware corporation ("**FBH**"), 14th Round Inc., a Delaware corporation ("**14R**"), Final Bell Canada Inc., an Ontario corporation ("**FB Canada**"), and their respective subsidiaries and managed entities.

Also effective November 30, 2022, in connection with the Business Combination, the Company completed a share reorganization pursuant to which its share capital was reorganized to create and authorize the Proportionate Voting Shares and to reclassify the common shares as Subordinate Voting Shares, each having the special rights and restrictions set out in Schedule A to the management information circular dated January 28, 2022 further to which the shareholders of the Company approved the share reorganization at a special meeting on February 28, 2022. Subject to certain conditions, each Proportionate Voting Share is convertible into 100 Subordinate Voting Shares, and is entitled to vote with the Subordinate Voting Shares at the rate of 100 votes per Proportionate Voting Share.

### *Final Bell Holdings, Inc.*

The predecessor of FBH is Final Bell Holdings, LLC ("**FB LLC**"), which was formed on November 25, 2020 as a California limited liability company. On December 27, 2020, pursuant to a formation and contribution agreement, a roll-up transaction was completed whereby FB LLC acquired the assets and liabilities of a combined group of companies operating in the cannabis space. The acquisition included a majority interest in 14R. Subsequently, on July 1, 2021, FB LLC completed a restructuring whereby the FB LLC shareholders transferred all of their membership interests in FB LLC to FBH in exchange for FBH shares. As a result of the restructuring, FB LLC became a Delaware corporation and a wholly owned subsidiary of FBH.

### *Business Combination*

Prior to the Business Combination, the Company conducted business activities designed to support the advancement of the Business Combination, and to capitalize the business of FBH. The Company entered into a cooperation and investment agreement with FB LLC as of May 11, 2021, which provided for (i) an investment by the Company in the form of a convertible promissory note (the "**Final Bell Note**"), which was issued by Final Bell Corp. (a subsidiary of FB LLC) in November 2021; (ii) an agreement by the parties to mutually cooperate to jointly develop and expand their cannabis business; (iii) an agreement by the parties to negotiate, advance and consummate the Business Combination; and (iv) a license agreement providing for a 10 year license granted by FB LLC to the Company to produce and distribute cannabis products for certain leading cannabis brands in Canada.

On October 12, 2021, the Company entered into a share exchange agreement with FBH and FBH's shareholders, as amended (the "**FBH SEA**"), pursuant to which the Company would acquire all of the common shares of FBH common

shares in exchange for Proportionate Voting Shares of the Company. The FBH SEA resulted in the Company acquiring, effective November 30, 2022, each outstanding share of FBH in exchange for approximately 0.69576 newly created Proportionate Voting Shares, being 1,735,964 Proportionate Voting Shares in the aggregate. The FBH SEA, as amended, further provides that, following the closing, the Company will use commercially reasonable efforts, subject to market conditions, to secure listing of the Subordinate Voting Shares on the Canadian Securities Exchange.

In order to expand into the cannabis business and to facilitate the Business Combination to acquire FBH, the Company raised C\$22.7 million of unsecured convertible notes (the "**Unsecured Convertible Notes**") and C\$13.0 million through the issuance of units comprised of secured convertible notes (the "**Secured Convertible Notes**") pursuant to a note indenture made between the Company and Odyssey Trust Company (the "**Trustee**") dated as of November 17, 2021, and contingent common share purchase warrants (the "**Warrants**") pursuant to an indenture made between the Company and the Trustee dated as of November 17, 2021. Most of the net proceeds from the issuances of Unsecured Convertible Notes and Secured Convertible Notes were used by the Company to periodically invest in FBH, pursuant to the terms of the Final Bell Note, in order to finance its operations and growth and for general corporate purposes. The Secured Convertible Notes were repaid in full in August 2022, using proceeds from the Term Loan (as defined below).

Effective January 17, 2022, the Company entered into an agreement and plan of merger, as amended (the "**14R Merger Agreement**"), with 14R, the shareholders of 14R and a newly formed wholly owned subsidiary of the Company, pursuant to which the Company would acquire of all of the issued and outstanding shares of 14R held by the minority shareholders of 14R, being approximately 44% of the issued share capital of 14R. The Company would indirectly acquire the remaining 56% of the share capital of 14R, which was held by FBH, through the FBH SEA. Pursuant to the 14R Merger Agreement, effective November 30, 2022, the 14R shareholders received 639,986 Proportionate Voting Shares in consideration for their shares of 14R based on 14R having a total valuation equal to 70% of the \$250,000,000 deemed valuation of Company immediately following the Business Combination.

Effective January 26, 2022, the Company entered into a share purchase agreement, as amended (the "**FB Canada SPA**"), with FB Canada and the FB Canada Shareholders, pursuant to which the Company would acquire all right, title and interest in and to the issued and outstanding shares in the capital of FB Canada for an aggregate purchase price of C\$10 million payable in a combination of cash and Subordinate Voting Shares. Effective November 30, 2022, the shareholders of FB Canada received aggregate consideration comprised of C\$3,350,000 in cash, C\$1,650,000 in promissory notes and 4,453,609 Subordinate Voting Shares of the Company.

As a result of the Business Combination which closed on November 30, 2022, the resulting business of the Company, and the application of the relevant guidance for reverse acquisitions under IFRS 3, FBH (the entity receiving securities) has been deemed the "accounting acquirer" while the Company (the entity issuing securities) has been deemed the "accounting acquiree".

The Company now operates a highly competitive consolidated group of businesses providing end-to-end solutions to leading cannabis brands through integrated product development, manufacturing, and supply chain management. Through 14R, the Company also operates in the design and technology space, offering industrial design, engineering, manufacturing, branding, and child-resistant packaging solutions for cannabis vaporizers, edibles, and related products. The Company's California and Canada operations bring the ability for brands to fully outsource production and manufacturing of state-of-the-art hardware, packaging, licensed co-manufacturing, and product commercialization to a single supply chain partner.

## Overview of the Business

Final Bell is a multinational supply chain, operations, and sales solution provider across North America's cannabis industry. Final Bell operates owned manufacturing facilities in China, California and Canada to provide full-service, end-to-end solutions for leading cannabis brands that span hardware, packaging, formulation, filling, co-packing, all the way through sale to distributors and retail sales services. Final Bell represents a new paradigm for the legal cannabis industry: the ability to fully outsource the production and selling of products from concept to retail to a single source, all in-house. Final Bell delivers on its mission to help the world's best cannabis brands excel across two segments: (i) Hardware and Packaging and (ii) Master Manufacturing.

### Operating Segments

#### *Hardware and Packaging*

Final Bell's Hardware and Packaging segment turns the concept of a brand into reality, or can transform a basic product into something unique, distinctive and visionary, by applying our dedicated team, proprietary tools and experience with a record of building leading brands. The Hardware and Packaging segment's capabilities range from branding, product development, custom vaporizer designs to CR-certified edibles dispensers and packaging. The segment provides full-service solutions with integrated manufacturing and supply chain management for companies that want to build powerful brands and need a partner that can execute within various jurisdictions. The segment develops and utilizes its own IP and innovative technology including a wide range of custom container and packaging solutions and vaporizer technology that is engineered to a brand's unique specifications.

Final Bell's Hardware and Packaging segment is the designer and supplier to many of the leading and most strategic North American brands with many customers ranking within the top 5 in sales for their respective product categories. The segment focuses on partnering with leading brands and operating in the largest categories across global markets. As the segment does not perform "cannabis-touching" services or activities, it is not subject to cannabis regulations and can ship products across state and country borders to create true connectivity with its significant customer base. While the segment is based in Los Angeles, California, operations span both the US and China with over 35 employees in the US and over 20 direct employees at a China wholly-owned foreign enterprise.

#### *Master Manufacturing*

Final Bell's Master Manufacturing segment, through its licensed manufacturing facilities, provides unrivaled quality, expertise, and operations to leading cannabis brands in the California and Canadian markets. Final Bell's Master Manufacturing model takes the biggest challenges for brands across manufacturing, scaling, compliance, dispensary sales, and supply chain, and turns them into the driving force for brand growth. The model reduces complexity, touch points, operational mishaps, and unproductive capital to streamline the entire supply chain for our brand partners.

Brand partners utilize Final Bell's licensed manufacturing facilities and are billed based on the level of services provided by Final Bell. To ease brand partners' burden on outsourcing and to simplify the administrative work, Final Bell typically charges a flat fee per unit produced that is payable by the brand partner upon release of the product from manufacturing. The flat unit fee charged by Final Bell includes the price of raw materials (hardware and packaging, oil, terpenes, etc.) and a co-manufacturing fee based on labor costs. The co-manufacturing fee varies by production complexity and additional services rendered (e.g., formulation, filling, and/or co-packing).

Spanning backend manufacturing through to distributor management, the Master Manufacturing segment is a true full-service, end-to-end solution for brand partners. The segment has over 100 full-time and part-time employees within the California and Canada manufacturing facilities.

### Reconciliation of Non-IFRS Financial Measures

This quarterly report contains “non-IFRS financial measures,” that is, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. Specifically, we make use of the non-IFRS measure “EBITDA”.

EBITDA is defined as operating income plus depreciation and amortization. We use EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider it to be a meaningful supplement to operating income as a performance measure primarily because depreciation and amortization expenses are not actual cash costs, and depreciation expense varies widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of our operating facilities. In addition, we believe EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

EBITDA does not reflect the impact of a number of items that affect our net income (loss), including financing costs and the effect of derivative instruments. EBITDA is not a measure of performance under IFRS, and should not be considered an alternative to net income (loss) or operating income as a measure of performance, or as an alternative to net cash from (used in) operating activities as a measure of liquidity. EBITDA is an internal measure that does not have any standardized meaning and therefore may not be comparable to similar measures presented by other companies.

EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under IFRS. Some of these limitations are that EBITDA does not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; (iii) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt; (iv) the impact of realized or marked to market changes in our derivative positions, which can be substantial; and (v) the impact of non-recurring impairment charges against our investments or assets. Because of these limitations, EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. Because all companies do not calculate EBITDA in the same manner, EBITDA as calculated by us may differ from EBITDA as calculated by other companies. We compensate for these limitations by using EBITDA as a supplemental measure of our performance and by relying primarily on our IFRS financial statements.

### Selected Reconciliation of Loss From Operations to EBITDA

(\$ in millions)	Three Months Ended		Nine Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Income (Loss) from Operations	\$ (2.1)	\$ (5.1)	\$ (5.7)	\$ (8.2)
Depreciation and Amortization	1.6	1.3	4.8	3.3
EBITDA	\$ (0.5)	\$ (3.7)	\$ (0.9)	\$ (4.9)

**Segmented Operating Results for the three months ended December 31, 2022**

<i>(\$ in millions)</i>	<b>Hardware &amp; Packaging</b>		<b>Master Manufacturing</b>		<b>Total</b>
Revenue	\$ 12.4	\$	5.9	\$	18.3
Cost of Goods Sold	8.2		5.0		13.3
Gross Profit	\$ 4.2	\$	0.9	\$	5.0
Expenses	6.4		0.8		7.1
Income (Loss) from Operations	\$ (2.2)	\$	0.1	\$	(2.1)

**Segmented Operating Results for the three months ended December 31, 2021**

<i>(\$ in millions)</i>	<b>Hardware &amp; Packaging</b>		<b>Master Manufacturing</b>		<b>Total</b>
Revenue	\$ 16.2	\$	3.9	\$	20.1
Cost of Goods Sold	12.3		3.6		15.9
Gross Profit	\$ 3.9	\$	0.3	\$	4.2
Expenses	6.6		2.7		9.3
Income (Loss) from Operations	\$ (2.7)	\$	(2.3)	\$	(5.1)

**Segmented Operating Results for the nine months ended December 31, 2022**

<i>(\$ in millions)</i>	<b>Hardware &amp; Packaging</b>		<b>Master Manufacturing</b>		<b>Total</b>
Revenue	\$ 37.8	\$	14.4	\$	52.3
Cost of Goods Sold	25.8		11.5		37.4
Gross Profit	\$ 12.0	\$	2.9	\$	14.9
Expenses	13.0		7.6		20.6
Income (Loss) from Operations	\$ (1.0)	\$	(4.7)	\$	(5.7)

**Segmented Operating Results for the nine months ended December 31, 2021**

<i>(\$ in millions)</i>	<b>Hardware &amp; Packaging</b>		<b>Master Manufacturing</b>		<b>Total</b>
Revenue	\$ 46.9	\$	9.1	\$	56.0
Cost of Goods Sold	34.8		7.9		42.7
Gross Profit	\$ 12.1	\$	1.2	\$	13.4
Expenses	16.3		5.3		21.6
Income (Loss) from Operations	\$ (4.2)	\$	(4.1)	\$	(8.2)

## Comparison of three and nine months ended December 31, 2022 and 2021

### *Revenue*

For the three and nine months ended December 31, 2022, revenue was \$18.3 million and \$52.3 million, a decrease of \$1.8 million and \$3.8 million or 9.0% and 6.7%, respectively, compared to the prior year periods.

Hardware & Packaging revenue decreased \$3.8 million and \$9.1 million or 23.6% and 19.4% for the three and nine months ended December 31, 2022, respectively, as one of our customers had built inventory in the prior year period for a new product launch, volumes from which have since normalized. The revenue decline in Hardware & Packaging is also attributed to growth in end-to-end customers, resulting in a portion of revenues being reflected in our Master Manufacturing segment after intercompany eliminations.

Master Manufacturing revenue increased \$2.0 million and \$5.4 million or 51.6% and 58.9% for the three and nine months ended December 31, 2022, respectively. The increase in revenue for both periods is largely due to the addition of new customers and partial contribution from our FB Canada acquisition, which was completed on November 30, 2022. The increase in revenue was partially offset by a shift in service mix for one of our customers to co-packing from end-to-end.

### *Cost of Goods Sold*

For the three and nine months ended December 31, 2022, cost of goods sold was \$13.3 million and \$37.4 million, a decrease of \$2.6 million and \$5.3 million, respectively, compared to the prior year periods. For the three months ended December 31, 2022, cost of goods sold as a percentage of revenue was 72.5%, compared to 79.0% in the prior year period. For the nine months ended December 31, 2022, cost of goods sold as a percentage of revenue was 71.5%, compared to 76.1% in the prior year period. The decrease in cost of goods sold as a percentage of revenue for both the three and nine months ended December 31, 2022 was driven by cost improvements in our Hardware & Packaging segment and change in service and product mix in our Master Manufacturing segment.

Cost of goods sold for our Hardware & Packaging segment includes the costs directly attributable to revenue recognition and includes amounts paid for finished goods, such as batteries, cartridges, as well as packaging and other supplies for its products. Cost of goods sold for our Hardware & Packaging segment for the three and nine months ended December 31, 2022 was \$8.2 million and \$25.8 million (comparative period - \$12.3 million and \$34.8 million) or 66.4% and 68.3% of segment revenue (comparative period - 76.0% and 74.1%), respectively. Cost of goods sold as a percentage of segment revenue improved due to reduced volatility and costs related to freight and shipping, reductions in COVID-related disruptions out of our manufacturing facility in China and change in product mix.

Cost of goods sold for our Master Manufacturing segment includes costs directly attributable to processing cannabis, including labor, raw materials and compliance testing, as well as costs attributable to wholesale sales of finished goods. Cost of goods sold for our Master Manufacturing segment for the three and nine months ended December 31, 2022 was \$5.0 million and \$11.5 million (comparative period - \$3.6 million and \$7.9 million) or 85.3% and 79.9% of segment revenue (comparative period - 91.4% and 86.5%), respectively. Cost of goods sold as a percentage of segment revenue improved as we shifted a customer from full end-to-end services to co-packing, along with providing more higher margin vape products and services.

### *Gross Profit*

For the three and nine months ended December 31, 2022, gross profit was \$5.0 million and \$14.9 million (comparative period - \$4.2 million and \$14.4 million), representing gross margin of 27.5% and 28.5% (comparative period - 21.0% and 23.9%), respectively.

Gross profit in the Hardware & Packaging segment was \$4.2 million and \$12.0 million for the three and nine months ended December 31, 2022 (comparative period - \$3.9 million and \$12.1 million), representing gross margin of 33.6% and 31.7% (comparative period - 24.0% and 25.9%), respectively. The improvement in segment gross margin was due to reduced volatility and costs related to freight and shipping, reductions in COVID-related disruptions out of our manufacturing facility in China and change in product mix.

Gross profit in the Master Manufacturing segment was \$0.9 million and \$2.9 million for the three and nine months ended December 31, 2022 (comparative period - \$0.3 million and \$1.2 million), representing gross margin of 14.7% and 20.1% (comparative period - 8.6% and 13.5%), respectively. The improvement in segment gross margin was due to a shift from full end-to-end services to co-packing, along with providing more higher margin vape products and services.



### *General and Administrative*

For the three and nine months ended December 31, 2022, general and administrative expense was \$2.9 million and \$13.0 million (comparative period - \$4.3 million and \$11.3 million), respectively. With respect to the Business Combination, general and administrative expenses during the three and nine months ended December 31, 2022 include \$2.6 million of foreign exchange income associated with the consolidation of FBHI financials. Excluding the foreign exchange gain, general and administrative expense increased during the three and nine months ended December 31, 2022 as a result of higher rent and lease payments in California and the inclusion of expenses from FB Canada and FBHI upon closing of the Business Combination on November 30, 2022.

### *Bad Debt Expense*

For the three and nine months ended December 31, 2022, bad debt expense was \$2.5 million and \$2.8 million (comparative period - \$4.0 million and \$6.4 million), respectively. The improvement in bad debt expense reflects a lower provision for expected credit losses from our customers.

### *Share-Based Payments*

For the three and nine months ended December 31, 2022, share-based compensation was \$0.1 million and \$0.1 million (comparative period – recovery of \$0.3 million and expense of \$0.6 million), respectively. Share-based payments during the period were related to the amortization of grant date fair value of common shares issued to certain advisors of 14R in July 2020. See Note 16 to the Company’s consolidated financial statements for the three and nine months ended December 31, 2022.

### *Depreciation and Amortization*

For the three and nine months ended December 31, 2022, depreciation and amortization expense was \$1.6 million and \$4.8 million (comparative period - \$1.3 million and \$3.3 million), respectively. The increase in depreciation and amortization was due to additions of property, plant and equipment and right-of-use assets.

### *Total Other Income (Expense)*

For the three months ended December 31, 2022, total other expense was \$32.3 million, compared to income of \$1.9 million in the prior year period. Additionally, for the nine months ended December 31, 2022, total other expense was \$33.8 million, compared to \$1.7 million in the prior year period. The increase in total other expenses was primarily due to transaction costs related to the accounting treatment of the FBH SEA under IFRS 2. Based on management’s determination that the FBH SEA falls outside the scope of IFRS 3, management determined that FBH made a share-based payment to acquire FBHI and should record a transaction cost to obtain the public reporting status of FBHI. Additional other expenses were incurred due to the increase in interest-bearing borrowings, including a working capital facility and secured term loan facility. The comparative three-month period included a non-cash \$2.3 million gain in fair value of our Series A preferred stock liability while the comparative nine-month period included a non-cash \$0.9 million loss in fair value of our Series A preferred stock liability.

### *Income Tax Expense (Benefit)*

On July 1, 2021, FBH transitioned from a California limited liability company to a Delaware corporation. Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the three and nine months ended December 31, 2022, income tax expenses were \$9,282 and \$27,846 (comparative period - \$0.3 million and \$0.5 million), respectively. The reduction in income tax expense was due to lower taxable income for both the three- and nine-month periods.

### *Net Loss*

Consolidated net loss for the three and nine months ended December 31, 2022 was \$34.3 million and \$39.5 million (comparative period - \$2.8 million and \$9.4 million), respectively. Consolidated net loss includes non-controlling interest in 14R, including in the periods prior to the completion of the Business Combination. Net loss for the three- and nine-month periods was primarily driven by (i) general and administrative expense; (ii) bad debt expense and (iii) transaction costs related to the Business Combination.

## Drivers of Operational Performance

### *Revenue*

The Company derives its revenue from providing full-service, end-to-end solutions for leading cannabis brands that span hardware, packaging, formulation, filling, co-packing, all the way through sale to distributors and retail sales services. The Company's Hardware and Packaging segment provides packaging design and product development services, revenue from which is reflected in the ultimate sale of finished hardware and packaging that meet customers' specifications. The Company's Master Manufacturing segment provides brands with formulation, filling and co-packing services, which are typically charged on a per-unit basis. Full-service, end-to-end customers are also charged a flat fee per unit produced, inclusive of all services, hardware and packaging.

For the nine months ended December 31, 2022, 72.4% of the Company's total revenue was generated from its Hardware & Packaging segment and 27.6% from the Company's Master Manufacturing segment, compared to 83.8% and 16.2%, respectively, in the comparative period ended December 31, 2021. This shift in revenue from primarily Hardware and Packaging segment reflects growth in end-to-end customers within the Master Manufacturing segment.

### *Gross Profit*

Gross profit is revenue less costs of goods sold. Cost of goods sold for our Hardware and Packaging segment includes the costs directly attributable to revenue recognition and includes amounts paid for finished goods, such as batteries, cartridges, as well as packaging and other supplies for its products. Cost of goods sold for our Master Manufacturing segment includes costs directly attributable to processing cannabis, including labor, raw materials and compliance testing, as well as costs attributable to wholesale sales of finished goods. Gross margin measures the Company's gross profit as a percentage of revenue.

For the nine months ended December 31, 2022, 80.5% of the Company's total gross profit was generated from its Hardware & Packaging segment and 19.5% from the Company's Master Manufacturing segment, compared to 90.8% and 9.2%, respectively, in the comparative period ended December 31, 2021.

### *Operating Expenses*

Total operating expenses other than cost of goods sold primarily consist of corporate infrastructure and personnel to support customer relationships and ongoing business, which are reflected as general and administrative expenses, and expense associated with depreciation and amortization.

### *Provision for Income Taxes*

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Master Manufacturing segment operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the sale of products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. However, our Hardware and Packaging segment is a non-cannabis business (despite serving cannabis customers) and as such, it is not subject to the limits of IRC Section 280E.

## Non-Operating Items

### *East West Bank ("EWB")*

In February 2022, 14th Round entered into a credit agreement with EWB, whereby EWB will provide an Asset Based Lending Facility (the "**ABL Facility**") in the amount of up to \$5,000,000 to fund the 14th Round's working capital needs. The ABL Facility matures on January 5, 2024 and is secured by 14th Round's inventory and accounts receivable. If at any time the aggregate principal amount of the ABL Facility exceeds the Borrowing Base (the lesser of \$5,000,000 and 80% of eligible accounts receivable), 14th Round is required to immediately repay, upon written or oral notice from EWB, an amount equal to the difference between the outstanding principal balance and the Borrowing Base. Interest on amounts drawn under the ABL Facility will be paid monthly at the Wall Street Journal Prime rate plus 2.50% per annum, subject to a minimum interest rate of 5.75% per annum. Principal payments shall be made based on borrowing base availability. The balance of the unpaid principal and any unpaid interest is due and payable on January 5, 2024. The ABL Facility contains certain covenants, including but not limited to a Minimum Fixed Charge Coverage Ratio of 1.50x to be tested on a quarterly basis. As of December 31, 2022, the Company was

in compliance with the loan covenants. As of December 31, 2022, the principal balance of the lending facility was \$4,240,041 (March 31, 2022 - \$3,468,797).

#### \$25 million Term Loan Facility

On August 18, 2022, the Company entered into a loan agreement with Golden Iris International Limited, which provided for a senior secured term loan facility of up to US\$25 million (the "**Term Loan**"). The proceeds of the Term Loan were used to repay the Secured Convertible Notes plus all accrued interest, costs and expenses related thereto, including the amendment fee, and are also available to finance growth initiatives, pay the cash portion of the purchase price pursuant to the FB Canada SPA, and provide for ongoing working capital requirements. The Term Loan has a maturity date of August 18, 2025 and bears interest from and including each funding date at a rate of 12.0% per annum, the first half of which (6.0% per annum) is payable quarterly, and the second half of which (6.0% per annum) accrues quarterly and is due and payable on the Maturity Date or earlier repayment in full of the Term Loan.

The Term Loan also provides for an incentive payment to the senior lender in an amount equal to the full amount of the Term Loan plus interest thereon, which will be satisfied through the issuance of a share purchase warrant following funding, and another share purchase warrant on equivalent terms following repayment of the Term Loan in respect of the second half of the interest rate accrued to such time.

At December 31, 2022, \$21,000,000 of the Term Loan had been fully funded across three funding tranches. The first tranche of \$13,000,000 was funded on August 30, 2022, the second tranche of \$4,000,000 was funded on October 12, 2022, and the third tranche of \$4,000,000 million was funded on November 15, 2022. Accordingly, accrued interest payable (the first half of the interest) on the Term Loan totaled \$381,616 and \$468,423 for the three and nine months ended December 31, 2022, respectively. The same amounts for the respective time periods were accrued (the second half of the interest) and added to the balance of the Term Loan and are due at maturity.

#### Short Term Financing Facility Updates

In September 2022, the Company entered into a short-term financing facility with Fusion LLF, LLC (dba "**Leaflink Financial**"). The outstanding balance accrues interest at 2% per month and was due on December 1, 2022. On November 28, 2022, the Company drew down an additional tranche of funding from Leaflink Financial in the principal amount of \$700,695. The additional tranche matures on February 21, 2023 and accrues interest at 2.0% per month. During the nine months ended December 31, 2022, the Company drew down \$4,697,223 against the facility, incurred interest expense of \$212,873 and made repayments of principal and interest of \$4,196,059. As of December 31, 2022, the principal and accrued interest outstanding on the facility was \$714,037.

#### Bridge Acquisition Loan

In December 2022, the Company strengthened its balance sheet to opportunistically look at acquisitions in its operating territories and secured debt financing in the aggregate principal amount of \$1,250,000 from a group of strategic investors (the "**Bridge Acquisition Loan**"), which will be used to provide bridge and acquisition financing for potential targets in the operating territory. The Bridge Acquisition Loan bears interest at a rate of 9.00% per annum and matures on June 30, 2023. In consideration for the advance of the funding, the Company has agreed to issue the investors warrants to acquire subordinate voting shares of the Company upon closing. As of December 31, 2022, \$600,000 of the Bridge Acquisition Loan had been funded and interest of \$2,318 had accrued.

#### Leases

The Company records its lease liabilities in accordance with IFRS 16, and as a result recognizes the right-of-use ("**ROU**") assets and lease liabilities. As of December 31, 2022, the right-of use asset and lease liability balances are \$7,656,517 and \$9,443,869 (March 31, 2022 - \$8,770,549 and \$10,120,115), respectively

On May 7, 2018, 14R entered into a lease assignment agreement for its corporate office with a related party, which includes an option to extend or terminate the lease. 14R's monthly payments are \$26,172, subject to a 3% annual increase during the duration of the lease term. On September 1, 2021, 14R subleased the space to a third party under the same terms as the original lease and recognized an investment in sublease receivable of \$1,222,471 included in other long-term assets in the consolidated statements of financial position. The gain on the lease transition of \$272,828 is included in general and administrative expense in the condensed interim consolidated statements of loss and comprehensive loss. This sublease agreement resulted in the recognition of a net investment in sublease by 14R included under long-term assets in the condensed interim statements of financial position.

On May 1, 2020, 14R entered into a lease agreement for factory space in China. 14R's average monthly payments for

the lease term are RMB 48,382 subject to an 8% increase after two years. At inception, 14R recognized a ROU asset and a lease liability in the amount of \$374,075.

On June 24, 2021, 14R entered into a lease assignment agreement for its warehouse space with a 5 year lease term commencing September 1, 2021, which includes two renewal options for 60 months each. 14R's monthly payments are \$26,053, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$1,396,353.

On September 29, 2021, 14R entered into a lease agreement for office space with a 6 year lease term commencing March 1, 2022. The lease includes a renewal option for 60 months. 14R's monthly payments are \$40,540, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$3,013,623.

On November 30, 2021, FBH acquired WCC (see Note 4) which had a lease agreement for its warehouse space. At acquisition, FBH recognized a right of use asset and a lease liability in the amount of \$4,546,034, using its incremental borrowing rate of 7.33%.

On January 15, 2022, FBH entered into a lease agreement for office space with a 2-year lease term commencing January 15, 2022. The lease includes a renewal option for 24 months. FBH's monthly payments were \$6,250, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$117,535. On August 1, 2022, the lease was amended to reduce the office space and lower the monthly payments to \$1,950 subject to a 3% annual increase for the remainder of the lease term. A gain on the lease amendment of \$27,290 is included in general and administrative expense in the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2022.

For the nine months ended December 31, 2022, the Company recognized amortization and interest expense in the amounts of \$1,046,260 and \$529,883 (nine months ended December 31, 2021 - \$402,800 and \$61,828), respectively.

Future minimum payments due under the Company's operating leases are as follows:

<u>Year Ended March 31</u>	<u>Operating Lease Payment</u>
2023	504,229
2024	2,060,675
2025	2,095,512
2026	1,796,668
Thereafter	<u>5,001,118</u>
Total Lease Payments	11,458,202
Less Imputed Interest	<u>(2,014,333)</u>
Total	\$ 9,443,869
Less: current portion	(1,449,916)
<b>Lease Liability, Net of Current Portion</b>	<b><u>\$ 7,993,953</u></b>

Future minimum payments receivable under the Company's investment in subleases are as follows:

<u>Year Ended March 31</u>	<u>Operating Lease Receivable</u>
2023	\$ 91,476
2024	372,680
2025	384,296
2026	<u>64,856</u>
Total Undiscounted Lease Receivable	913,308
Less Imputed Interest Income	<u>(77,183)</u>
Total Receivable	<u>\$ 836,125</u> <u>(320,658)</u>
<b>Investment in Sublease, Net of Current Portion</b>	<b><u>\$ 515,467</u></b>

#### Holdback and Contingent Liability

On October 1, 2019, 14R obtained control of Uneka Concepts, Inc. ("Uneka") through a management service agreement. As a result of the control obtained, the assets and liabilities were consolidated into 14R's consolidated financial statements. The acquisition was accounted for in accordance with IFRS 3. The assets consisted primarily of the cash, accounts receivable, inventory, property and equipment, customer relationships, intellectual property and certain other assets. The liabilities assumed consisted of accounts payable and various accrued liabilities. Subsequently, on February 26, 2020, 14R acquired 100% ownership of Uneka through entering into an Agreement and Plan of Merger. Additional consideration up to \$500,000 would be paid in cash on March 31, 2021 and March 31, 2022, contingent on gross profit milestones of \$5 million and \$6 million, respectively, being met. The net present fair value of the contingent consideration (the "**Contingent Liability**") was estimated at \$479,681 at the date of formation and roll up.

As of December 31, 2022, the fair value of the Contingent Liability was \$318,500 (March 31, 2022 \$499,623), with the gain on the change in fair value of the contingent consideration of \$181,500 and \$181,123, respectively, during the three and nine months ended December 31, 2022 (three and nine months ended December 31, 2021 – losses of \$3,432 and \$14,768, respectively) recorded in the condensed interim consolidated statements of loss and comprehensive loss. During the nine months ended December 31, 2022, the Company made payments of \$118,500 against the liability (nine months ended December 31, 2021 - \$440,000)

#### Notes Payable

On May 10, 2021, Final Bell Corp (the California entity) entered into a convertible note agreement with the Company in the principal amount of \$6,250,000. The note bore interest at a rate of 7.00% per annum calculated on the principal outstanding. On May 24, 2021, July 29, 2021, October 13, 2021, November 22, 2021, and September 6, 2022 the Company subscribed for additional principal amounts of \$7,570,000, \$3,400,000, 400,000, \$9,028,388, and \$500,000, respectively, under the same terms. The notes give the Company the right to convert the principal and interest outstanding into equity securities of Final Bell Corp at any time up to the maturity date at price of \$2,000,000 per equity security. In the event Final Bell Corp raises \$50 million (including through a series of financings) in equity securities, the conversion price will be adjusted to 80% of the price in that equity raise (or in the event it issues a series of equity raises, the weighted average price thereof). As a result of this provision, the conversion option does not have a fixed settlement amount and was designated a financial liability. The estimated fair value of the conversion option at inception and as at December 31, 2021, was immaterial and has not been recorded. The Company recognized interest expenses related to these notes of \$1,551,415 for the nine months ended December 31, 2022 (nine months ended December 31, 2021 - \$774,275).

On November 30, 2022, the Company completed a reverse take-over transaction with FBH under the terms of a Share Exchange Agreement (see Note 23 to the Company's consolidated financial statement for the three and nine months

ended December 31, 2022 for details) and the intercompany notes were eliminated, and, as a result, as at December 31, 2022, the balance of the loan, including interest accrued, was \$nil (March 31, 2022 - \$27,897,907).

### **Investments**

#### *GSW Creative Corporation dba Dosist ("GSW")*

On March 15, 2021, FBH executed a stock purchase agreement with GSW to purchase 8,000,000 shares of its Series B-1 Preferred Stock at \$0.625 per share for a total consideration of \$5,000,000, representing 4% of the outstanding shares of GSW. GSW is a wellness company empowering people to naturally manage their health through dose-controlled cannabis therapy. The purchase closed in May 2021. In November 2021, FBH executed a licensing agreement with GSW which provides FBH the right to manage the manufacturing, sale and distribution of GSW's products in exchange for a sales-based royalty. At December 31, 2022 and March 31, 2022, management assessed the fair value of its investment in GSW as \$nil.

#### *Sherbinskis Investment*

On August 5, 2021, FBH executed a stock purchase agreement with Elysian Group, Inc. ("**Elysian**"), which owns the trademarks for the brand Sherbinskis ("**Sherbinskis**"), whereby FBH agreed to purchase 17,400 shares of Elysian Common Stock, representing a 3.8% ownership interest, at a price of \$143.68 for an aggregate purchase price of \$2,500,000. In September 2021, FBH completed a cash payment of \$2,000,000 to Elysian and made other payments of \$48,819 related to the purchase. At December 31, 2022 and March 31, 2022, management assessed the fair value of its investment in Sherbinskis as \$nil.

During the three and nine months ended December 31, 2022 the Company recorded losses of \$nil and \$130,190, respectively, related to customer manufacturing incentives associated with the initial investment.

#### *Starseed Medicinal Inc.*

On acquisition of FB Canada on November 30, 2022, FB Canada owned 100% of Starseed Medicinal Inc. FB Canada closed its stock purchase agreement to acquire all of the issued and outstanding shares of Starseed Medicinal Inc. on June 14, 2021 for C\$2,500,000. Through this acquisition, FB Canada acquired its Health Canada license and was able to process, manufacture and package cannabis for distribution throughout the country.

#### *Westside Caregivers Club, Inc. ("WCC")*

On January 1, 2021, the Company entered into a stock purchase agreement ("**WCC SPA**") with Westside 1237, Inc. ("**Seller**") whereby the Company would purchase all shares the Seller owned in WCC, totaling 813 shares or 81.3% of the total ownership stake. In May 2021, the Company paid an initial \$2,000,000 for 22% of WCC equity. On November 30, 2021, the Company paid an additional \$5,400,000 for an additional 593 and transitioned the investment from equity accounted to investment in subsidiary.

WCC has a cannabis license under the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("**MAUCRSA**") to operate a microbusiness, including the manufacture, distribution, and retail sale of cannabis products in California at its existing location in Los Angeles, California. WCC has applied for a corresponding permanent license to continue its business at its current location. WCC has operated as a cannabis company, specializing in co-packing, formulating, and manufacturing cannabis products.

FBH recorded equity losses of \$23,697 and \$72,858, respectively, for the three and nine months ended December 31, 2021 which represented the proportionate share of WCC's net loss for the three and nine months ended December 31, 2021.

### **Liquidity and Capital Resources**

As of December 31, 2022, the Company had total current assets of \$30.4 million including cash of \$4.8 million and total current liabilities of \$30.7 million.

In evaluating our capital requirements and our ability to fund the execution of our strategy, we believe we have adequate available liquidity to enable us to meet our short-term working capital, debt servicing and other operating requirements, fund growth initiatives and capital expenditures, settle our liabilities and repay scheduled principal and interest payments on debt for at least the next twelve months.

Our objective is to generate sufficient cash to fund our operating requirements and expansion plans. However, the Company's business plan includes growth through acquisitions as well as facility expansion and improvements to

support geographic expansion and to bolster our ability to pursue additional brand licensing and partnership deals. We continue to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to (i) obtaining financing from traditional or non-traditional investment capital organizations; (ii) obtaining funding from the sale of equity or debt instruments; and (iii) obtaining debt financing with lending terms that more closely match our business model and capital needs. There can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans, that additional capital or other types of financing will be available when needed, or that such financing will be on terms favorable to the Company.

We expect to continue funding operating losses as we ramp up our operations with our available cash, cash equivalents and short-term investments. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through debt and/or equity financing to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due.

As of the date hereof the Company does not have any off-balance sheet financing arrangements and has not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

### **Related Party Transactions**

#### *Final Bell Canada*

During the year ended March 31, 2022, FBH entered into a promissory note and related amendments with FB Canada, whereby FBH agreed to lend FB Canada \$5,639,500. The note bore interest at a rate of 8% per annum calculated on the principal outstanding. During the three and nine months ended December 31, 2022, the Company accrued \$123,988 and \$362,571 (three and nine months ended December 30, 2021 - \$98,979 and \$195,253), respectively, in interest on the loan that is included in other income/expense in the condensed interim consolidated statements of loss and comprehensive loss. On November 30, 2022, the Company completed the acquisition of FB Canada (see Note 23 to the Company's consolidated financial statement for the three and nine months ended December 31, 2022) and the balance of the intercompany loan was eliminated on consolidation. As of December 31, 2022, the balance of the principal and accrued interest was \$nil (March 31, 2022 - \$5,950,630)

### **Cash Flows**

#### *Cash Flows from Operating Activities*

Net cash used in operating activities was \$0.4 million for the nine months ended December 31, 2022 compared to \$6.8 million in the comparative period. Net cash used in operating activities for the nine months ended December 31, 2022 was driven primarily by improvements in working capital management.

#### *Cash Flow from Investing Activities*

Net cash used in investing activities was \$2.3 million during the nine months ended December 31, 2022 compared to \$21.8 million in the comparative period. Net cash used in investing activities for the nine months ended December 31, 2022 was driven by purchases of property, plant and equipment, as well as acquisition of FB Canada, partially offset by cash acquired through the Business Combination.

#### *Cash Flow from Financing Activities*

Net cash used in financing activities was \$1.9 million during the nine months ended December 31, 2022 compared to net cash provided of \$27.6 million in the comparative period. Net cash used in financing activities for the period was primarily comprised of net borrowings on our EWB ABL Facility, offset by the net repayment of related party loans. Additionally during the period, FBHI closed funding of \$21 million on its Term Loan and utilized a portion of the proceeds to fully repay the Secured Convertible Notes (see Note 15 of the Company's consolidated financial statements for the three and nine months ended December 31, 2022).

## Financial Risk Management

### 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 exposure to interest rate risk is minimal as the leases and notes have fixed terms for the periods ending December 31, 2022.

### Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in its foreign subsidiaries. The Company's foreign currency risk arises primarily with respect to the Chinese Yuan Renminbi ("RMB") and the Canadian Dollar ("CAD"). Fluctuations in the exchange rates between the RMB and CAD and the US dollar could have a material impact on the Company's business, financial condition and results of operations. The Company does not engage in hedging activity to mitigate this risk.

The following summary illustrates the fluctuations in the exchange rates applied for the nine months ended December 31, 2022:

	Average rate	Closing rate
RMB	0.1449	0.1449
CAD	0.7358	0.7380

A \$0.01 strengthening or weakening of the US dollar against the RMB at December 31, 2022 would result in an increase or decrease in other comprehensive income of approximately \$97,570. A \$0.01 strengthening or weakening of the US dollar against the CAD at December 31, 2022 would result in an increase or decrease in other comprehensive income of approximately \$241,207.

### Credit risk

Credit risk is the risk that a counterparty fails to meet its contractual obligation to the Company. The Company is exposed to the risk for various financial instruments through receivables from customers and the potential for cash fraud. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized for the nine months ending December 31, 2022 and the year ending March 31, 2022.

The Company closely monitors cash by preparing a monthly bank reconciliation for management's examination. When material transactions are expected management reviews its completeness and accuracy through an online portal.

The Company prepares and reviews an account receivable aging report on a weekly basis and follows-up, when applicable.

The Company also continuously monitors potential defaults of customers on an individual basis and incorporates this information into its credit risk controls. Where available, at reasonable cost, external credit ratings and credit checks are obtained and used. The Company's policy is to deal only with creditworthy customers. During the three and nine months ended December 31, 2022, the Company recorded bad debt expense of \$2,505,790 and \$2,777,345 (three and nine months ended December 31, 2021 - \$4,003,327 and \$6,385,531), respectively, related to the change in provision for expected credit losses.



The Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. Net accounts receivable as of December 31, 2022 was \$10.4 million (March 31, 2022 - \$12.4 million). The loss allowance as of December 31, 2022, was determined as follows:

Description	Account Receivable	Expected Loss Rate	Expected \$ Loss	Amount Collectible
Current	\$ 2,552,990	26%	\$ (662,925)	\$ 1,890,065
Past due 1 to 30 days	\$ 4,390,965	20%	\$ (875,095)	3,515,870
Past due 31 to 60 days	\$ 1,848,575	38%	\$ (697,961)	1,150,614
Past due 61 to 90 days	\$ 1,275,055	36%	\$ (455,889)	819,166
Past due 91 to 120 days	<u>\$ 6,408,780</u>	<u>53%</u>	<u>\$ (3,376,664)</u>	<u>3,032,116.00</u>
<b>As of December 31, 2022</b>	<b><u>\$ 16,476,365</u></b>		<b><u>\$ (6,068,534)</u></b>	<b><u>\$ 10,407,831</u></b>

The expected loss rates are based on historical credit losses, past industry experience and adjusted to reflect current and forward-looking information of each customer's ability to settle the receivables. This is affected and adjusted constantly on a customer-by-customer basis, which includes information from economic conditions.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade receivables in a timely manner, which could in turn impact the Company's ability to meet its current commitments and obligations. Other than leases, credit facilities, and debt, all of the Company's financial obligations have maturities of less than one year.

The Company manages its liquidity needs by monitoring its cash flow from operating activities and its current plans for capital outlay. The Company uses a variety of forecasting tools to manage cash inflows and outflows on a daily, weekly, monthly and quarterly basis.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, which primarily includes cash inflows from trade receivables in comparison to cash outflows from trade payables and accrued liabilities. As of December 31, 2022, the Company had a cash balance of \$4,772,039 (March 31, 2022 - \$3,406,733) and an accounts receivable balance of \$10,407,831 (March 31, 2022 - \$12,360,287). The Company's total accounts payable and accrued expenses as of December 31, 2022 was \$23,225,854 (March 31, 2022 - \$18,186,982) which have contractual maturities of less than 90 days.

#### Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue operations. In the management of capital, the Company includes its components of operating lease obligations, cash and equity.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses. Management reviews its capital management policies on an ongoing basis.

#### Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

**Contractual Obligations**

In the three and nine month period ended December 31, 2022, there were no material changes in the contractual obligations set out in Management's Discussion and Analysis for the fiscal year ended March 31, 2022.

**Off-Balance Sheet Arrangements**

As of the date hereof the Company does not have any off-balance sheet financing arrangements and has not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

This is Exhibit "6" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #:85519T

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**(formerly Karsten Energy Corp.)**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE THREE AND NINE MONTHS  
ENDED DECEMBER 31, 2022 AND 2021**

**(Unaudited)**

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

The accompanying unaudited condensed interim financial statements of Final Bell Holdings International Ltd. (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 these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants.

		<u>December 31, 2022</u>	<u>March 31, 2022</u>
			(Audited)
<b>ASSETS</b>			
Current Assets:			
Cash		\$ 4,772,039	\$ 3,406,733
Accounts Receivable, Net	NOTE 22	10,407,831	12,360,287
Accounts Receivable, Related Party		-	-
Inventories		12,778,662	9,337,797
Prepaid Expenses		2,439,305	1,712,426
Total Current Assets		<u>30,397,837</u>	<u>26,817,243</u>
Property and Equipment, Net	NOTE 7	5,588,115	4,613,030
Intangible Assets, Net	NOTE 8	13,811,309	16,229,880
Goodwill	NOTE 8	11,869,216	2,029,682
Investments	NOTE 9	1,845,018	-
Right-of-Use Asset	NOTE 12	7,656,517	8,770,549
Notes Receivable- Related Party, Net of Current Portion	NOTE 6	-	5,950,630
Net Investment in Sublease	NOTE 12	515,467	759,026
Other Long Term Assets		892,411	413,703
<b>TOTAL ASSETS</b>		<u>\$ 72,575,890</u>	<u>\$ 65,583,743</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities:			
Current Liabilities:			
Accounts Payable		\$ 21,246,013	\$ 12,851,728
Accrued Expenses	NOTE 11	2,325,542	5,335,254
Deferred Revenue		2,483,400	2,388,386
Related Party Loans	NOTE 19	2,310,654	3,215,999
Current Portion of Credit Facility	NOTE 13	714,037	-
Current Portion of Lease Liability	NOTE 12	1,449,916	1,364,668
Income Tax Payable		196,600	196,600
Total Current Liabilities		<u>30,726,162</u>	<u>25,352,635</u>
Series A Preferred Stock Liability	NOTES 21	-	11,150,038
Lease Liability, Net of Current Portion	NOTE 12	7,993,953	8,755,447
Credit Facility	NOTE 13	4,240,041	3,468,797
Contingent Liability	NOTE 14	200,000	499,623
Promissory Note	NOTE 23	1,224,795	-
Notes Payable	NOTE 15	-	27,897,907
Convertible Notes	NOTE 15	13,994,226	-
Derivative Financial Instruments	NOTES 15, 17	6,134,835	74,916
Secured Term Loan	NOTE 16	21,000,000	-
Other Long Term Liability		59,290	59,290
Deferred Income Tax Liability		441,864	469,710
<b>TOTAL LIABILITIES</b>		<u>86,015,166</u>	<u>77,728,363</u>

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		<u>December 31, 2022</u>	<u>March 31, 2022</u>
Equity:	<i>NOTE 16</i>		
Share Capital		91,588,272	-
Additional Paid-in-Capital		-	6,617,111
Share Based Payments Reserve		1,258,843	-
Accumulated Other Comprehensive Income		(517,869)	35,157
Accumulated Deficit		<u>(106,786,350)</u>	<u>(22,846,880)</u>
Equity attributable to Controlling Shareholders		(14,457,104)	(16,194,612)
Non-controlling interest	<i>NOTE 17</i>	<u>1,017,828</u>	<u>4,049,992</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>(13,439,276)</b>	<b>(12,144,620)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>\$ 72,575,890</u></b>	<b><u>\$ 65,583,743</u></b>

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Nature of Operations (Note 1)  
 Commitments and Contingencies (Note 18)  
 Subsequent events (Note 24)

Approved and authorized by the Board of Directors on March 1, 2023

**"Jason DeLand"**  
**Director and Chairman of the Board**

**"Kay Jessel"**  
**Director**



	<b>For the three months ended December 31, 2022</b>	For the three months ended December 31, 2021	<b>For the nine months ended December 31, 2022</b>	For the nine months ended December 31, 2021
Revenues	\$ 18,307,004	\$ 20,121,800	\$ 52,262,871	\$ 56,029,794
Cost of Goods Sold	<u>13,275,651</u>	<u>15,893,772</u>	<u>37,360,418</u>	<u>42,663,412</u>
Gross Profit	<u>5,031,353</u>	<u>4,228,028</u>	<u>14,902,453</u>	<u>13,366,382</u>
Expenses:				
General and Administrative	2,923,843	4,264,035	12,958,000	11,251,275
Bad Debt Expense	2,505,790	4,003,327	2,777,345	6,385,531
Stock Based Compensation	71,557	(295,910)	94,121	621,290
Depreciation and Amortization	1,621,876	1,312,833	4,781,557	3,341,052
Total Expenses	<u>7,123,066</u>	<u>9,284,285</u>	<u>20,611,023</u>	<u>21,599,148</u>
Loss from Operations	<u>(2,091,713)</u>	<u>(5,056,257)</u>	<u>(5,708,570)</u>	<u>(8,232,766)</u>
Other Income (Expense):				
Change in Fair Value of Series A Preferred Stock Liability	-	2,332,488	-	(864,675)
Change in Fair Value of Contingent Consideration	181,500	(3,432)	181,123	(14,768)
Change in Fair Value of Investments	-	-	(130,190)	-
Loss from Investment in Associate	-	(23,697)	-	(72,858)
Fair Value Adjustment on Equity Accounted Investment	-	72,858	-	72,858
Interest and Accretion Expense, Net and Financing Costs	(2,256,698)	(1,087,156)	(3,920,669)	(1,497,438)
Transaction Costs	(30,865,491)	-	(30,865,491)	-
Other Income/Expense	<u>685,203</u>	<u>579,170</u>	<u>939,179</u>	<u>676,380</u>
Total Other Expense	<u>(32,255,486)</u>	<u>1,870,231</u>	<u>(33,796,048)</u>	<u>(1,700,501)</u>
Loss before Income Taxes	<u>(34,347,199)</u>	<u>(3,186,026)</u>	<u>(39,504,618)</u>	<u>(9,933,267)</u>
Income Tax Benefit (Expense)	<u>(9,282)</u>	<u>(339,712)</u>	<u>(27,846)</u>	<u>(516,226)</u>
<b>Net Loss</b>	<u><b>(34,337,917)</b></u>	<u><b>(2,846,314)</b></u>	<u><b>(39,476,772)</b></u>	<u><b>(9,417,041)</b></u>
Other Comprehensive Income (Loss):				
Foreign Currency Translation Gain/(Loss)	<u>(393,466)</u>	<u>(1,677)</u>	<u>(553,026)</u>	<u>23,125</u>
<b>Comprehensive Loss</b>	<u><b>\$ (34,731,383)</b></u>	<u><b>\$ (2,847,991)</b></u>	<u><b>\$ (40,029,798)</b></u>	<u><b>\$ (9,393,916)</b></u>
Loss for the Period Attributable to:				
Final Bell Holding, Inc.	<u>(34,040,242)</u>	<u>(3,068,107)</u>	<u>(39,382,245)</u>	<u>(7,769,416)</u>
Non-Controlling Interest	<u>(691,141)</u>	<u>220,116</u>	<u>(647,553)</u>	<u>(1,624,500)</u>
	<u><b>\$ (34,731,383)</b></u>	<u><b>\$ (2,847,991)</b></u>	<u><b>\$ (40,029,798)</b></u>	<u><b>\$ (9,393,916)</b></u>
Basic and Diluted Loss per Share	\$ (0.34)	\$ (0.02)	\$ (0.91)	\$ (0.04)
Weighted Average Number of Common Shares (formerly LLC Units) - Basic and Diluted	100,425,483	173,596,400	43,225,704	173,596,400

	Share Capital	Additional Paid-In-Capital	Share Based Payments Reserve	Accumulated Other Comprehensive Income	Accumulated Deficit	Equity Attributable to Controlling Shareholders	Non-Controlling Interest	Total Shareholders' Equity
Balance as of March 31, 2021	\$ -	\$ 6,617,111	\$ -	\$ 38,085	\$ (3,224,317)	\$ 3,430,879	\$ 4,678,731	\$ 8,109,610
Net (Loss)	-	-	-	-	(7,784,368)	(7,784,368)	(1,632,673)	(9,417,041)
Foreign Currency Translation Gain	-	-	-	14,952	-	14,952	8,173	23,125
Stock-Based Compensation								
Vesting Stock	-	-	-	-	-	-	(197,650)	(197,650)
Warrants	-	-	-	-	-	-	41,216	41,216
Options	-	-	-	-	-	-	774,449	774,449
Warrant exercise	-	-	-	-	-	-	30,000	30,000
Amortization of Discount on Note Receivable - Related Party	-	-	-	-	-	-	13,116	13,116
Share of Assets Acquired from Non-Controlling Interest	-	-	-	-	178,692	178,692	(178,692)	-
Extinguishment of Note Receivable - Related Party	-	-	-	-	(313,399)	(313,399)	-	(313,399)
Acquisition of Westside	-	-	-	-	-	-	1,702,091	1,702,091
<b>Balance as of December 31, 2021</b>	<b>\$ -</b>	<b>\$ 6,617,111</b>	<b>\$ -</b>	<b>\$ 53,037</b>	<b>\$ (11,143,392)</b>	<b>\$ (4,473,244)</b>	<b>\$ 5,238,761</b>	<b>\$ 765,517</b>
Balance as of March 31, 2022	\$ -	\$ 6,617,111	\$ -	\$ 35,157	\$ (22,846,880)	\$ (16,194,612)	\$ 4,049,992	\$ (12,144,620)
Net (Loss) Income	-	-	-	-	(38,829,219)	(38,829,219)	(647,553)	(39,476,772)
Foreign Currency Translation Gain	-	-	-	(553,026)	-	(553,026)	-	(553,026)
Advisor Shares	3,374	-	-	-	-	3,374	-	3,374
Reclassification of Additional Paid-In-Capital	6,617,111	(6,617,111)	-	-	-	-	-	-
Acquisition of Final Bell Canada	3,711,500	-	-	-	-	3,711,500	-	3,711,500
Acquisition of 14th Round Minority Interest	57,480,178	-	1,258,843	-	(45,573,195)	13,165,826	(2,015,788)	11,150,038
FBHI Shares and Deemed Acquisition by FBH at Fair Value of Capital Consideration	12,058,452	-	-	-	-	12,058,452	-	12,058,452
Compensation Share Issuable on Closing of Business Combination	11,717,657	-	-	-	-	11,717,657	-	11,717,657
Stock-Based Compensation								
Vesting Stock	-	-	-	-	-	-	94,121	94,121
Option Expiry	-	-	-	-	94,427	94,427	(94,427)	-
Warrant Expiry	-	-	-	-	368,517	368,517	(368,517)	-
<b>Balance as of December 31, 2022</b>	<b>\$ 91,588,272</b>	<b>\$ -</b>	<b>\$ 1,258,843</b>	<b>\$ (517,869)</b>	<b>\$ (106,786,350)</b>	<b>\$ (14,457,104)</b>	<b>\$ 1,017,828</b>	<b>\$ (13,439,276)</b>

	<b>For the nine months ended December 31, 2022</b>	For the nine months ended December 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss for the Period	\$ (39,476,772)	\$ (9,417,041)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and Amortization	4,781,557	3,341,052
Share-based Payments Expense	94,121	621,290
Deferred Income Taxes	(27,846)	(647,398)
Bad Debt Expense	2,777,345	6,385,531
Gain on Forgiveness of Small Business Loan	-	(1,260,314)
Gain Recognized on Transition of Lease	-	(272,829)
Gain on Lease Amendment	(27,290)	-
Loss on Disposal of Fixed Assets	39,380	-
Interest income accrued	(413,640)	(195,253)
Interest expense accrued	2,098,354	775,220
Change in Fair Value of Preferred Stock Liability	-	864,675
Change in Fair Value of Contingent Liability	(181,123)	(425,232)
Change in Fair Value of Investments	(130,190)	-
Transaction Costs	19,147,834	-
Issuance of Compensation Shares on Close of Business Combination	11,717,657	
Loss from investment in associate	-	72,858
Fair Value Adjustment on Equity Accounted Investment	-	(72,858)
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	(760,764)	(9,414,855)
Inventories	1,657,779	(5,385,223)
Prepaid Expenses	(684,225)	(1,407,373)
Other Long Term Assets/Liabilities	(73,146)	235,020
Accounts Payable	3,054,650	7,202,272
Accrued Expenses	(3,167,849)	2,273,164
Performance Obligation	(816,225)	(65,428)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(390,393)</b>	<b>(6,792,722)</b>

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	<b>For the nine months ended December 31, 2022</b>	For the nine months ended December 31, 2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property and Equipment	<b>(1,858,105)</b>	(1,510,736)
Payment of Contingent Consideration	<b>(118,500)</b>	(197,279)
Principal Reduction in Lease Receivable	<b>270,193</b>	(97,825)
Investment in GSW and Sherbinski	<b>130,190</b>	(7,000,000)
Acquisition of Final Bell Canada	<b>(2,486,705)</b>	-
Cash Acquired on Acquisition of Final Bell Canada	<b>1,251,016</b>	-
Cash Acquired on Deemed Acquisition of Final Bell Holdings International Inc.	<b>517,973</b>	-
Acquisition of Westside	-	(7,400,000)
Issuance of notes receivable	-	(5,639,500)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,293,938)</b>	(21,845,340)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of Common Shares	<b>809</b>	-
Issuance of Notes Payable	-	26,648,388
Proceeds of Credit Facility	<b>6,228,426</b>	-
Payment of Credit Facility	<b>(5,220,564)</b>	-
Proceeds of Related Party Loans	<b>112,828</b>	1,500,000
Repayment of Related Party Loans	<b>(1,631,259)</b>	(165,164)
Proceeds of Term Loan	<b>(298,933)</b>	-
Cash Contributions from Non-Controlling Interest	-	30,000
Principal Reduction in Lease Liability	<b>(1,089,804)</b>	(378,106)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>(1,898,497)</b>	27,635,118
Effect of Exchange Rate Changes on Cash	<b>5,948,134</b>	(17,537)
<b>NET DECREASE IN CASH</b>	<b>1,365,306</b>	(1,020,481)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>3,406,733</b>	5,028,440
<b>CASH AT END OF PERIOD</b>	<b>\$ 4,772,039</b>	<b>\$ 4,007,959</b>
<b>SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES</b>		
Cash Paid for Income Taxes and Installments	\$ -	\$ -
Cash Received for Income Taxes and Installments	\$ -	\$ (131,172)
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Value of Shares Issued on Acquisition of Final Bell Canada	\$ 3,711,500	\$ -
Acquisition of 14th Round Minority Interest	\$ 57,480,178	\$ -
Value of Shares Issued on Reverse Acquisition of FBHI	\$ 12,058,452	\$ -
Accounts Receivable for Common Shares	\$ (2,565)	\$ -
Investment in Sublease	\$ -	\$ (1,222,471)
Extinguishment of Note Receivable - Related Party	\$ -	\$ 313,399
Change in Non-Controlling Interest due to Effect of Exchange Rate on Cash	\$ -	\$ (8,173)
Change in Non-Controlling Interest due to Amortization of Note Receivable - Related I	\$ -	\$ (13,116)
Right of Use Asset and Lease Liability at Acquisition/Inception	\$ -	\$ 8,956,010

## 1. REPORTING ENTITY AND NATURE OF OPERATIONS

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### Final Bell Holdings International Ltd.

The Company was incorporated as Karsten Energy Corp. under the Business Corporations Act (British Columbia) on November 28, 2012, and was classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "TSX-V") Policy 2.4. On November 18, 2014, the Company completed its qualifying transaction and was listed on the TSX-V as a tier 2 mining issuer. Listing of the Company's common shares was transferred to the NEX Board of the TSX-V on January 31, 2017. The Company's common shares were voluntarily delisted from the NEX Board on April 30, 2021. On October 27, 2021, the Company filed articles of amendment under the BCBCA changing its name from "Karsten Energy Corp." to "Final Bell Holdings International Ltd."

Effective November 30, 2022, the Company completed a series of transactions (collectively the "Business Combination") pursuant to which it acquired the group of companies known as the Final Bell Group, including Final Bell Holdings, Inc., a Delaware corporation ("FBH"), 14th Round Inc., a Delaware corporation ("14R"), Final Bell Canada Inc., an Ontario corporation ("FB Canada"), and their respective subsidiaries and managed entities.

Also effective November 30, 2022, in connection with the Business Combination, the Company completed a share reorganization pursuant to which its share capital was reorganized to create and authorize the Proportionate Voting Shares and to reclassify the common shares as Subordinate Voting Shares, each having the special rights and restrictions set out in Schedule A to the management information circular dated January 28, 2022 further to which the shareholders of the Company approved the share reorganization at a special meeting on February 28, 2022. Subject to certain conditions, each Proportionate Voting Share is convertible into 100 Subordinate Voting Shares, and is entitled to vote with the Subordinate Voting Shares at the rate of 100 votes per Proportionate Voting Share.

### Final Bell Holdings, Inc.

The predecessor of FBH is Final Bell Holdings, LLC ("FB LLC"), which was formed on November 25, 2020 as a California limited liability company. On December 27, 2020, pursuant to a formation and contribution agreement, a roll-up transaction was completed whereby FB LLC acquired the assets and liabilities of a combined group of companies operating in the cannabis space. The acquisition included a majority interest in 14R. Subsequently, on July 1, 2021, FB LLC completed a restructuring whereby the FB LLC shareholders transferred all of their membership interests in FB LLC to FBH in exchange for FBH shares. As a result of the restructuring, FB LLC became a Delaware corporation and a wholly owned subsidiary of FBH.

### Business Combination

Prior to the Business Combination, the Company conducted business activities designed to support the advancement of the Business Combination, and to capitalize the business of FBH. The Company entered into a cooperation and investment agreement with FB LLC as of May 11, 2021, which provided for (i) an investment by the Company in the form of a convertible promissory note (the "Final Bell Note"), which was issued by Final Bell Corp. (a subsidiary of FB LLC) in November 2021; (ii) an agreement by the parties to mutually cooperate to jointly develop and expand their cannabis business; (iii) an agreement by the parties to negotiate, advance and consummate the Business Combination; and (iv) a license agreement providing for a 10 year license granted by FB LLC to the Company to produce and distribute cannabis products for certain leading cannabis brands in Canada.

On October 12, 2021, the Company entered into a share exchange agreement with FBH and FBH's shareholders, as amended (the "FBH SEA"), pursuant to which the Company would acquire all of the common shares of FBH common shares in exchange for Proportionate Voting Shares of the Company. The FBH SEA resulted in the Company acquiring, effective November 30, 2022, each outstanding share of FBH in exchange for approximately 0.69576 newly created Proportionate Voting Shares, being 1,735,964 Proportionate Voting Shares in the aggregate. The FBH SEA, as amended, further provides that, following the closing, the Company will use commercially reasonable efforts, subject to market conditions, to secure listing of the Subordinate Voting Shares on the Canadian Securities Exchange.

In order to expand into the cannabis business and to facilitate the Business Combination to acquire FBH, the Company raised C\$22.7 million of unsecured convertible notes (the "Unsecured Convertible Notes") and C\$13.0 million through the issuance of units comprised of secured convertible notes (the "Secured Convertible Notes") pursuant to a note indenture made between the Company and Odyssey Trust Company (the "Trustee") dated as of November 17, 2021, and contingent common share purchase warrants (the "Warrants") pursuant to an indenture made between the Company and the Trustee dated as of November 17, 2021. Most of the net proceeds from the issuances of Unsecured Convertible Notes and Secured Convertible Notes were used by the Company to periodically invest in FBH, pursuant to the terms of the Final Bell Note, in order to finance its operations and growth and for general corporate purposes. The Secured Convertible Notes were repaid in full in August 2022, using proceeds from the Term Loan (as defined below).

Effective January 17, 2022, the Company entered into an agreement and plan of merger, as amended (the "14R Merger Agreement"), with 14R, the shareholders of 14R and a newly formed wholly owned subsidiary of the Company, pursuant to which the Company would acquire all of the issued and outstanding shares of 14R held by the minority shareholders of 14R, being approximately 44% of the issued share capital of 14R. The Company would indirectly acquire the remaining 56% of the share capital of 14R, which was held by FBH, through the FBH SEA. Pursuant to the 14R Merger Agreement, effective November 30, 2022, the 14R shareholders received 639,986 Proportionate Voting Shares in consideration for their shares of 14R based on 14R having a total valuation equal to 70% of the \$250,000,000 deemed valuation of Company immediately following the Business Combination.

Effective January 26, 2022, the Company entered into a share purchase agreement, as amended (the "FB Canada SPA"), with FB Canada and the FB Canada Shareholders, pursuant to which the Company would acquire all right, title and interest in and to the issued and outstanding shares in the capital of FB Canada for an aggregate purchase price of C\$10 million payable in a combination of cash and Subordinate Voting Shares. Effective November 30, 2022, the shareholders of FB Canada received aggregate consideration comprised of C\$3,350,000 in cash, C\$1,650,000 in promissory notes and 4,453,609 Subordinate Voting Shares of the Company.

As a result of the Business Combination which closed on November 30, 2022, the resulting business of the Company, and the application of the relevant guidance for reverse acquisitions under IFRS 3, FBH (the entity receiving securities) has been deemed the "accounting acquirer" while the Company (the entity issuing securities) has been deemed the "accounting acquiree".

The Company now operates a highly competitive consolidated group of businesses providing end-to-end solutions to leading cannabis brands through integrated product development, manufacturing, and supply chain management. Through 14R, the Company also operates in the design and technology space, offering industrial design, engineering, manufacturing, branding, and child-resistant packaging solutions for cannabis vaporizers, edibles, and related products. The Company's California and Canada operations bring the ability for brands to fully outsource production and manufacturing of state-of-the-art hardware, packaging, licensed co-manufacturing, and product commercialization to a single supply chain partner.

The condensed interim consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

	Country of incorporation	% Ownership		Subsidiary of
		December 31, 2022	March 31, 2022	
Final Bell Holding, Inc.	USA	100%	NA	Final Bell Holdings International Ltd.
14th Round, Inc. ("14th Round")	USA	100%	56%	Final Bell Holding, Inc.
Uneka Concepts, Inc. ("Uneka")	USA	100%	100%	14th Round
14th Round Technology & Trade (Shenzhen) Co., Ltd. ("14th Round Shenzhen")	China	100%	100%	14th Round
Mallen Tech Co., Limited ("Mallentech")	Hong Kong	100%	100%	14th Round
Mallen Tech (Dongguan) Co., Ltd. ("DG Co.")	China	100%	100%	14th Round
Ares Imports, Inc. ("Ares")	USA	100%	100%	14th Round
14th Round (Canada) Inc.	Canada	100%	100%	14th Round
Final Bell Corp	USA	100%	100%	Final Bell Holding, Inc.
DB Innovation Inc. ("DB Innovation")	USA	89%	89%	Final Bell Holding, Inc.
DB Designs, LLC ("DB Designs")	USA	100%	100%	DB Innovation Inc.
Westside Caregivers Club, Inc. ("WCC")	USA	81%	81%	Final Bell Corp.
Final Bell Canada Inc.	Canada	100%	NA	Final Bell Holdings International Ltd.
Final Bell Corp	Canada	100%	100%	Final Bell Canada Inc.
Starseed Medicinal Inc.	Canada	100%	100%	Final Bell Canada Inc.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### **Basis of Presentation and Statement of Compliance**

The Company's unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2022 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and footnote disclosures included in 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 FBH's audited consolidated financial statements for the year ended March 31, 2022, filed on the System for Electronic Document Analysis and Retrieval ("SEDAR"), and the related notes thereto, and have been prepared using the same accounting policies described therein.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Company's board of directors on March 1, 2023.

### **Adoption of New and Revised Standards and Interpretations**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after April 1, 2023. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The Company has not identified any upcoming changes which could materially impact the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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The preparation of these condensed interim consolidated financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income (loss), and the related disclosure of contingent assets and liabilities, if any. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income (loss) that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates under different assumptions or conditions. Set out below are the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of these condensed interim consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.



### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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#### *Going concern*

At the end of each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgements of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends and are consistent with those used to evaluate impairment of goodwill and intangible assets at December 31, 2022. Management believes there is sufficient capital to meet the Company's business obligations for at least the next twelve months, after taking into account expected cash flows and the Company's cash position at period-end. See Note 23 for the details of the funding of a term loan agreement and Note 13 for the details of asset-based lending facilities.

These condensed interim consolidated financial statements do not reflect adjustments to the reported carrying values of assets and liabilities; reported revenues and expenses; or classifications in statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

#### *Consolidation and Combination*

The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over an entity, exposure or rights of variable returns from its involvement with the entity and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

Prior to the Business Combination, and as of March 31, 2022, Final Bell Holdings Inc. owned 56% of 14<sup>th</sup> Round, Inc. and 89% of DB Innovations from a roll-up transaction on December 27, 2020 and pursuant to a Formation and Contribution Agreement. As a result of the Business Combination that closed on November 30, 2022, the Company fully acquired 100% of 14<sup>th</sup> Round, Final Bell Holdings Inc., and Final Bell Canada at December 31, 2022. The Company continues to retain its 89% ownership in DB Innovations at December 31, 2022.

On January 1, 2021, the FBH entered into a stock purchase agreement ("SPA") with Westside 1237, Inc. ("Seller") whereby FBH would purchase all shares the Seller owned in Westside Caregivers Club, Inc. ("WCC"), totaling 813 shares or 81.3% of the total ownership stake. On May 17, 2021, FBH purchased 220 shares (22.0% of WCC) for \$2,000,000 and on November 30, 2021, acquired an additional 593 shares of WCC for \$5,400,000. FBH classified its investment in WCC as an investment in associate from May 17, 2021 to November 30, 2021 based on management's judgement that FBH had significant influence through its ownership of 22.0% of WCC and on November 30, 2021 transferred its investment in WCC to a business acquisition based on management's assessment that it had control through its 81.3% ownership interest. See Note 4.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

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#### *Determination of Cash Generating Units (“CGUs”)*

Management is required to use judgment in determining which assets or group of assets make up appropriate CGUs, for the level at which goodwill and intangible assets are tested for impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent on the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets form CGUs of the Company. At March 31, 2020, Uneka was identified as a CGU as it operated under separate management, used separate assets, and generated cash inflows independent from one another that were monitored by the Company on this basis. For the period from Inception to March 31, 2021, 14<sup>th</sup> Round integrated the Uneka operations with operations of the 14<sup>th</sup> Round as a whole. Management views 14<sup>th</sup> Round as a vertically integrated design, development and technology company. The units cannot be separated further due to the level of integration, and to a certain degree, interdependence between products and services lines within the business.

#### *Purchase Price Allocation*

Applying the acquisition method to the business combination requires each identifiable asset and liability to be measured at acquisition date fair value. The excess, if any, of the fair value of the consideration over the fair value of the net identifiable assets is allocated to goodwill. The assumptions and estimates relating to the determination of fair value require management to use a high degree of judgement and includes estimates of future incomes, cash flows and discount rates. Changes in any of these estimates or assumptions could result in changes in fair values assigned to the consideration for the acquisition and the fair value of the assets, liabilities and goodwill in the purchase price allocation.

At the time of filing, the Company is in process on its purchase price allocation and fair value determination surrounding the Business Combination. As such, the fair value measurements presented herein surrounding purchase price allocation have been left at the book values at the time of acquisition. The Company plans to complete its purchase price allocation work associated with the Business Combination in the coming quarter.

#### *Fair Value of Financial Instruments*

Certain financial instruments, such as contingent liability and preferred stock liability, are measured at fair value. The Company uses judgement in selecting the methods used to make certain assumptions and in performing the fair value calculations in order to determine the fair value measurements for financial instruments that require subsequent measurement at fair value on a recurring basis. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. See Note 21.

#### *Useful life of property, plant and equipment and intangible assets with finite useful lives*

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, considering industry trends such as technological advancements, past experience, expected use and review of asset useful lives.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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#### *Useful life of property, plant and equipment and intangible assets with finite useful lives (Continued)*

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation methods and assumptions prospectively.

#### *Expected credit losses*

Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the 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.

#### *Discount rate used in adoption of IFRS 16*

The determination of the Company's lease liabilities, right-of-use assets, and net investment in leases depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

#### *Income and other taxes*

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income 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

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the condensed interim consolidated statements of financial position, a charge or credit to income tax expense included as part of net income (loss) and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### *Share-based payment transactions and warrants*

The Company measures the cost of equity-settled transactions with officers, directors, warrants, and options by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain and changes in these assumptions will affect the fair value estimates.

#### *Inventory obsolescence*

Inventories are stated at the lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

#### *Functional currency*

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currencies and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labor, materials, and other costs of providing goods or services. The Company's functional currency is the U.S. Dollar ("USD").

### 4. ACQUISITION OF WESTSIDE CAREGIVERS CLUB, INC.

On January 1, 2021, FBH entered into a stock purchase agreement ("SPA") with Westside 1237, Inc. ("Seller") whereby FBH would purchase all shares the Seller owned in Westside Caregivers Club, Inc. ("WCC"), totaling 813 shares or 81.3% of the total ownership stake. In May 2021, FBH paid an initial \$2,000,000 for 220 shares or 22% of WCC equity and on November 30, 2021, paid \$5,400,000 for an additional 593 shares or 59.3% of WCC.

WCC has a cannabis license under the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA") to operate a microbusiness, including the manufacture, distribution, and retail sale of cannabis products in California at its existing location in Los Angeles, California. WCC has applied for a corresponding permanent license to continue its business at its current location. WCC has operated as a cannabis company, specializing in co-packing, formulating, and manufacturing cannabis products. The following table summarizes the preliminary accounting estimates of the acquisition of WCC with a purchase price of \$7,400,000:

Cash	\$ 5,400,000
Transfer from Investment in Associate (see Note 10)	2,000,000
<b>Total Consideration</b>	<b>\$ 7,400,000</b>
Property and Equipment	\$ 1,160,579
Right of Use Asset	4,546,034
Deposits	168,750
License	6,300,000
Right of Use Liability	(4,546,034) <sup>1</sup>
Deferred Tax Liability	(556,920)
<b>Total Identifiable Net Assets</b>	<b>7,072,409</b>
Goodwill	2,029,682
Non-controlling Interest	(1,702,091)
<b>Preliminary Accounting Estimates of Net Assets Acquired</b>	<b>\$ 7,400,000</b>

## 5. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

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The Company maintains cash balances in reputable financial institutions in Canada and financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to certain federal limitations. At times, the Company’s cash balance exceeds these federal limitations. The Company has not historically experienced any material losses. The Company’s cash held in foreign banks are not subject to FDIC insurance coverage and at December 31, 2022 and March 31, 2022 the Company had \$273,561 and \$283,544, respectively, in foreign banks.

The Company provides credit in the normal course of business to customers located throughout the U.S. and Canada. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information.

Sales to the Company’s three largest customers accounted for 38.3% of total revenues for the nine months ended December 31, 2022 (nine months ended December 31, 2021 – 46%). As of December 31, 2022, \$3,212,165 (March 31, 2022 - \$3,503,098) was included in trade accounts receivable for these three hardware and packaging customers. In management’s opinion, these customers could be replaced by other customers, if necessary.

One of the Company’s hardware suppliers accounted for 46% of the cost of goods sold for the nine months ended December 31, 2022 (nine months ended December 31, 2021 – 49%). As of December 31, 2022, \$9,803,150 (March 31, 2022, \$7,055,799) was included in accounts payable and \$157,737 (March 31, 2022 - \$185,478) was included in prepaid expenses as amounts related to the Company’s outsourced hardware and packaging manufacturer. In management’s opinion, the hardware and packaging supplies and manufacturing capabilities can be acquired from another outsourced manufacturer, if necessary.

## 6. NOTES RECEIVABLE – RELATED PARTY

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### FB Canada

During the year ended March 31, 2022, FBH entered into a promissory note and related amendments with FB Canada, whereby FBH agreed to lend FB Canada \$5,639,500. The note bore interest at a rate of 8% per annum calculated on the principal outstanding. During the three and nine months ended December 31, 2022, the Company accrued \$123,987 and \$362,571 (three and nine months ended December 30, 2021 - \$98,979 and \$195,253), respectively, in interest on the loan that is included in other income/expense in the condensed interim consolidated statements of loss and comprehensive loss. On November 30, 2022, the Company completed the acquisition of FB Canada (see Note 23) and the balance of the intercompany loan was eliminated on consolidation. As of December 31, 2022, the balance of the principal and accrued interest was \$nil (March 31, 2022 - \$5,950,630).

## 7. PROPERTY AND EQUIPMENT

As of December 31, 2022 and March 31, 2022, property and equipment consisted of the following:

	Furniture and Fixtures	Machinery and Equipment	Tooling, Moulding and Dies	Leasehold Improvements	Automobiles	Computers	Total
<u>Cost</u>							
Balance as of April 1, 2022	\$ 430,429	\$ 4,011,234	\$ 1,440,432	\$ 1,265,532	\$ 269,955	\$ 363,701	\$ 7,781,283
Additions	-	623,703	702,907	520,343	9,239	1,913	1,858,105
Acquisition of FB Canada	5,880	206,482	-	351,452	-	5,368	569,182
Disposals	-	(61,744)	-	-	-	-	(61,744)
Effect of Foreign Exchange	(671)	(107,449)	-	(2,505)	-	(1,177)	(111,802)
<b>Balance as of December 31, 2022</b>	<b>\$ 435,638</b>	<b>\$ 4,672,226</b>	<b>\$ 2,143,339</b>	<b>\$ 2,134,822</b>	<b>\$ 279,194</b>	<b>\$ 369,805</b>	<b>\$ 10,035,024</b>
<u>Accumulated Depreciation</u>							
Balance as of April 1, 2022	\$ 197,139	\$ 1,183,430	\$ 1,217,322	\$ 243,902	\$ 151,679	\$ 174,781	\$ 3,168,253
Depreciation	72,632	637,099	215,664	308,232	37,921	45,178	1,316,726
Disposals	-	(22,364)	-	-	-	-	(22,364)
Effect of Foreign Exchange	(242)	(16,361)	-	1,341	-	(444)	(15,706)
<b>Balance as of December 31, 2022</b>	<b>\$ 269,529</b>	<b>\$ 1,781,804</b>	<b>\$ 1,432,986</b>	<b>\$ 553,475</b>	<b>\$ 189,600</b>	<b>\$ 219,515</b>	<b>\$ 4,446,909</b>
<u>Net Book Value</u>							
Balance as of April 1, 2022	\$ 233,290	\$ 2,827,804	\$ 223,110	\$ 1,021,630	\$ 118,276	\$ 188,920	\$ 4,613,030
<b>Balance as of December 31, 2022</b>	<b>\$ 166,109</b>	<b>\$ 2,890,422</b>	<b>\$ 710,353</b>	<b>\$ 1,581,347</b>	<b>\$ 89,594</b>	<b>\$ 150,290</b>	<b>\$ 5,588,115</b>
<u>Cost</u>							
Balance as of April 1, 2021	\$ 227,483	\$ 2,744,467	\$ 1,124,933	\$ 300,010	\$ 215,677	\$ 168,522	\$ 4,781,092
Acquisition of Westside	133,637	245,925	15,211	765,806	-	-	1,160,579
Additions	69,070	995,534	300,288	344,198	54,278	194,781	1,958,149
Disposals	-	(18,981)	-	(149,648)	-	-	(168,629)
Effect of Foreign Exchange	239	44,289	-	5,166	-	398	50,092
<b>Balance as of March 31, 2022</b>	<b>\$ 430,429</b>	<b>\$ 4,011,234</b>	<b>\$ 1,440,432</b>	<b>\$ 1,265,532</b>	<b>\$ 269,955</b>	<b>\$ 363,701</b>	<b>\$ 7,781,283</b>
<u>Accumulated Depreciation</u>							
Balance as of April 1, 2021	\$ 153,161	\$ 566,192	\$ 972,536	\$ 111,509	\$ 102,900	\$ 119,654	\$ 2,025,952
Disposals	-	(4,436)	-	(36,332)	-	-	(40,768)
Depreciation	43,919	617,609	244,786	168,111	48,779	55,032	1,178,236
Effect of Foreign Exchange	59	4,065	-	614	-	95	4,833
<b>Balance as of March 31, 2022</b>	<b>\$ 197,139</b>	<b>\$ 1,183,430</b>	<b>\$ 1,217,322</b>	<b>\$ 243,902</b>	<b>\$ 151,679</b>	<b>\$ 174,781</b>	<b>\$ 3,168,253</b>
<u>Net Book Value</u>							
Balance as of April 1, 2021	\$ 74,322	\$ 2,178,275	\$ 152,397	\$ 188,501	\$ 112,777	\$ 48,868	\$ 2,755,140
<b>Balance as of March 31, 2022</b>	<b>\$ 233,290</b>	<b>\$ 2,827,804</b>	<b>\$ 223,110</b>	<b>\$ 1,021,630</b>	<b>\$ 118,276</b>	<b>\$ 188,920</b>	<b>\$ 4,613,030</b>

The Company reviews the carrying value of its property and equipment at each reporting period for indicators of impairment and assesses their useful lives in accordance with IAS 36. The Company did not record any impairment losses related to its property and equipment during the nine months ended December 31, 2022 or the year ended March 31, 2022.

Depreciation expense for the three and nine months ended December 31, 2022 was \$489,876 and \$1,316,726, respectively.

## 8. INTANGIBLE ASSETS AND GOODWILL

### Intangibles

The components of intangible assets as of March 31, 2022 and December 31, 2022 are as follows:

	Patents and Intellectual Property	Customer Relationships	Marketing Related Intangible Assets	Non- competition agreement	Licenses	Total
Balance March 31, 2021	\$ 11,643,809	\$ 1,085,000	\$ 175,000	\$ 12,500	\$ -	\$ 12,916,309
Acquisition of WCC	-	-	-	-	6,300,000	6,300,000
Amortization	(2,411,429)	(310,000)	(116,667)	(8,333)	(140,000)	(2,986,429)
Balance March 31, 2022	\$ 9,232,380	\$ 775,000	\$ 58,333	\$ 4,167	\$ 6,160,000	\$ 16,229,880
Amortization	(1,808,571)	(232,500)	(58,333)	(4,167)	(315,000)	(2,418,571)
Balance December 31, 2022	\$ 7,423,809	\$ 542,500	\$ -	\$ -	\$ 5,845,000	\$ 13,811,309

On November 30, 2021, FBH acquired WCC and recognized the fair value of the WCC cannabis license under MAUCRSA (the “WCC License”). Management estimated a useful life of 15 years for the WCC License based on analysis of market and legislative trends and standard practice for intangibles.

The Company reviews the carrying value of its intangible assets with definite lives in accordance with IAS 36 at each reporting period for indicators of impairment. During the nine months ended December 31, 2022 and the year ended March 31, 2022, no impairment losses were recorded related to the Company’s intangible assets.

Amortization expense for the three and nine months ended December 31, 2022 was \$785,357 and \$2,418,571, respectively.

### Goodwill

Changes in the carrying amount of goodwill are as follows:

Balance March 31, 2021	\$ -
Acquisition of WCC	2,029,682
Balance March 31, 2022	<u>\$ 2,029,682</u>
Acquisition of FB Canada (see Note 23)	9,839,534
Balance December 31, 2022	<u>\$ 11,869,216</u>

On an annual basis, the Company assesses for indicators of impairment or when facts or circumstances suggest that the carrying amount may exceed the recoverable amount. Goodwill is tested for impairment annually.

Intangible assets and goodwill associated with the Business Combination are still being evaluated at this time. The Company is in process on its purchase price allocation and fair value determination surrounding the Business Combination. As such, the intangible asset and goodwill metrics presented herein do not reflect the final determinations surrounding the purchase price allocation of the Business Combination. The Company plans to complete its purchase price allocation work associated with the Business Combination in the coming quarter.

## 9. INVESTMENTS

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### **GSW Creative Corporation dba dosist (“GSW”)**

On March 15, 2021, FBH executed a stock purchase agreement with GSW to purchase 8,000,000 shares of its Series B-1 Preferred Stock at \$0.625 per share for a total consideration of \$5,000,000, representing 4% of the outstanding shares of GSW. GSW is a wellness company empowering people to naturally manage their health through dose-controlled cannabis therapy. The purchase closed in May 2021. In November 2021, FBH executed a licensing agreement with GSW which provides FBH the right to manage the manufacturing, sale and distribution of GSW’s products in exchange for a sales-based royalty. At December 31, 2022 and March 31, 2022, management assessed the fair value of its investment in GSW as \$nil.

### **Sherbinskis**

On August 5, 2021, FBH executed a stock purchase agreement with Elysian Group, Inc. (“Elysian”), which owns the trademarks for the brand Sherbinskis (“Sherbinskis”), whereby FBH agreed to purchase 17,400 shares of Elysian Common Stock, representing a 3.8% ownership interest, at a price of \$143.68 for an aggregate purchase price of \$2,500,000. In September 2021, FB completed a cash payment of \$2,000,000 to Elysian and made other payments of \$48,819 related to the purchase. At December 31, 2022 and March 31, 2022, management assessed the fair value of its investment in Sherbinskis as \$nil.

During the three and nine months ended December 31, 2022 the Company recorded losses of \$nil and \$130,190, respectively, related to customer manufacturing incentives associated with the initial investment.

### **Starseed Medicinal Inc.**

On acquisition of FB Canada on November 30, 2022, FB Canada owned 100% of Starseed Medicinal Inc. FB Canada closed its stock purchase agreement to acquire all of the issued and outstanding shares of Starseed Medicinal Inc. on June 14, 2021 for C\$2,500,000. Through this acquisition, FB Canada acquired its Health Canada license and was able to process, manufacture, and package cannabis for distribution throughout the country.

## 10. INVESTMENT IN ASSOCIATE

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On January 1, 2021, FBH entered into a stock purchase agreement (“SPA”) with Westside 1237, Inc. (“Seller”) whereby FBH would purchase all shares the Seller owned in Westside Caregivers Club, Inc. (“WCC”), totaling 813 shares or 81.3% of the total ownership stake. In May 2021, FBH paid an initial \$2,000,000 for 22% of WCC equity. On November 30, 2021, FBH paid an additional \$5,400,000 for an additional 593 and transitioned the investment from equity accounted to investment in subsidiary. See Note 4.

WCC has a cannabis license under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”) to operate a microbusiness, including the manufacture, distribution, and retail sale of cannabis products in California at its existing location in Los Angeles, California. WCC has applied for a corresponding permanent license to continue its business at its current location. WCC has operated as a cannabis company, specializing in co-packing, formulating, and manufacturing cannabis products.

FBH recorded equity losses of \$23,697 and \$72,858, respectively, for the three and nine months ended December 31, 2021 which represented the proportionate share of WCC’s net loss for the three and nine months ended December 31, 2021.



## 11. ACCRUED EXPENSES

As of December 31, 2022 and March 31, 2022 accrued expenses consisted of the following:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Goods Received/Not Invoiced	\$ -	\$ 4,492,514
Credit Card Payable	27,449	21,629
Accrued salaries	294,794	577,148
Accrued Audit and Tax Fees	-	25,000
Accrued Interest Expense	861,670	16,405
Other	1,141,629	202,559
<b>Total Accrued Expenses</b>	<b>\$ 2,325,542</b>	<b>\$ 5,335,255</b>

## 12. LEASES

The Company records its lease liabilities in accordance with IFRS 16, and as a result recognizes the right-of-use (“ROU”) assets and lease liabilities.

As of December 31, 2022, the Company’s right of use asset consisted of the following:

	<u>Cost</u>	<u>Amortization</u>	<u>Balance</u>
<b>Balance, March 31, 2021</b>	<b>\$ 2,305,958</b>	<b>\$ (916,208)</b>	<b>\$ 1,389,750</b>
Additions	4,527,511	(544,526)	3,982,985
Acquisition of Westside	4,546,034	(209,013)	4,337,021
Transition to investment in sublease receivable	(1,772,666)	823,023	(949,643)
Effect of Foreign Exchange	-	10,436	10,436
<b>Balance, March 31, 2022</b>	<b>\$ 9,606,837</b>	<b>\$ (836,288)</b>	<b>\$ 8,770,549</b>
Additions	-	(1,046,260)	(1,046,260)
Lease modification	(46,529)	-	(46,529)
Effect of Foreign Exchange	-	(21,243)	(21,243)
<b>Balance, December 31, 2022</b>	<b>\$ 9,560,308</b>	<b>\$ (1,903,791)</b>	<b>\$ 7,656,517</b>

On May 7, 2018, 14R entered into a lease assignment agreement for its corporate office with a related party, which includes an option to extend or terminate the lease. 14R’s monthly payments are \$26,172, subject to a 3% annual increase during the duration of the lease term. On September 1, 2021, 14R subleased the space to a third party under the same terms as the original lease and recognized an investment in sublease receivable of \$1,222,471 included in other long-term assets in the consolidated statements of financial position. The gain on the lease transition of \$272,828 is included in general and administrative expense in the condensed interim consolidated statements of loss and comprehensive loss. This sublease agreement resulted in the recognition of a net investment in sublease by 14R included under long-term assets in the condensed interim statements of financial position.

On May 1, 2020, 14R entered into a lease agreement for factory space in China. 14R’s average monthly payments for the lease term are RMB 48,382 subject to an 8% increase after two years. At inception, 14R recognized a ROU asset and a lease liability in the amount of \$374,075.

On June 24, 2021, 14R entered into a lease assignment agreement for its warehouse space with a 5 year lease term commencing September 1, 2021, which includes two renewal options for 60 months each. 14R's monthly payments are \$26,053, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$1,396,353.

On September 29, 2021, 14R entered into a lease agreement for office space with a 6 year lease term commencing March 1, 2022. The lease includes a renewal option for 60 months. 14R's monthly payments are \$40,540, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$3,013,623.

On November 30, 2021, FBH acquired WCC (see Note 4) which had a lease agreement for its warehouse space. At acquisition, FBH recognized a right of use asset and a lease liability in the amount of \$4,546,034, using its incremental borrowing rate of 7.33%.

On January 15, 2022, FBH entered into a lease agreement for office space with a 2-year lease term commencing January 15, 2022. The lease includes a renewal option for 24 months. FBH's monthly payments were \$6,250, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$117,535. On August 1, 2022, the lease was amended to reduce the office space and lower the monthly payments to \$1,950 subject to a 3% annual increase for the remainder of the lease term. A gain on the lease amendment of \$27,290 is included in general and administrative expense in the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2022.

For the nine months ended December 31, 2022, the Company recognized amortization and interest expense in the amounts of \$1,046,260 and \$529,883 (nine months ended December 31, 2021 - \$402,800 and \$61,828), respectively. As of December 31, 2022, the right-of use asset and lease liability balances are \$7,656,517 and \$9,443,869 (March 31, 2022 - \$8,770,549 and \$10,120,115), respectively.

A reconciliation of the lease liabilities for the nine months ended December 31, 2022 and the year ended March 31, 2022 are as follows:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Balance, Beginning of Period	\$ 10,120,115	\$ 1,639,313
Acquisition of WCC	-	4,546,034
Lease amendment	(73,819)	-
Lease Additions	-	4,527,511
Lease Payments	(1,091,922)	(927,317)
Interest Expense on Lease Liability	513,004	323,411
Foreign Currency Adjustment	(23,509)	11,163
Balance, End of Period	<u>\$ 9,443,869</u>	<u>\$ 10,120,115</u>

**12. LEASES (Continued)**

Future minimum payments due under the Company's operating leases are as follows:

<u>Year Ended March 31</u>	<u>Operating Lease Payment</u>
2023	504,229
2024	2,060,675
2025	2,095,512
2026	1,796,668
Thereafter	5,001,118
Total Lease Payments	11,458,202
Less Imputed Interest	(2,014,333)
Total	\$ 9,443,869
Less: current portion	(1,449,916)
<b>Lease Liability, Net of Current Portion</b>	<b>\$ 7,993,953</b>

A reconciliation of investment in sublease for the nine months ended December 31, 2022 and the year ended March 31, 2022 is as follows:

<u>Year Ended March 31</u>	<u>Operating Lease Receivable</u>
2023	\$ 91,476
2024	372,680
2025	384,296
2026	64,856
Total Undiscounted Lease Receivable	913,308
Less Imputed Interest Income	(77,183)
Total	\$ 836,125
Receivable	(320,658)
<b>Investment in Sublease, Net of Current Portion</b>	<b>\$ 515,467</b>

Future minimum payments receivable under the Company's investment in sublease are as follows:

	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Balance, Beginning of Period	\$ 1,055,250	\$ -
Transition from Lease Liability	-	1,222,471
Lease Payments Received	(270,194)	(207,515)
Interest Income	51,069	40,294
Balance, End of Period	<u>\$ 836,125</u>	<u>\$ 1,055,250</u>

### 13. CREDIT FACILITIES

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#### **East West Bank (“EWB”)**

In February 2022, 14<sup>th</sup> Round entered into a credit agreement with EWB, whereby EWB will provide an Asset Based Lending Facility (the “ABL Facility”) in the amount of up to \$5,000,000 to fund the 14<sup>th</sup> Round’s working capital needs. The ABL Facility matures on January 5, 2024 and is secured by 14<sup>th</sup> Round’s inventory and accounts receivable. If at any time the aggregate principal amount of the ABL Facility exceeds the Borrowing Base (the lesser of \$5,000,000 and 80% of eligible accounts receivable), 14<sup>th</sup> Round is required to immediately repay, upon written or oral notice from EWB, an amount equal to the difference between the outstanding principal balance and the Borrowing Base. Interest on amounts drawn under the ABL Facility will be paid monthly at the Wall Street Journal Prime rate plus 2.50% per annum, subject to a minimum interest rate of 5.75% per annum. Principal payments shall be made based on borrowing base availability. The balance of the unpaid principal and any unpaid interest is due and payable on January 5, 2024. The ABL Facility contains certain covenants, including but not limited to a Minimum Fixed Charge Coverage Ratio of 1.50x to be tested on a quarterly basis. As at December 31, 2022, the Company was in compliance with the loan covenants. On March 2, 2022, the Company drew down \$3,468,797. During the nine months ended December 31, 2022, 14<sup>th</sup> Round drew down \$1,531,203 on the credit facility, recorded \$278,767 in interest expense and repaid principal and interest of \$1,024,505. As of December 31, 2022, the principal balance of the lending facility was \$4,240,041 (March 31, 2022 - \$3,468,797). Interest accrued of \$30,656 at December 31, 2022 (March 31, 2022 - \$16,405) is included in accrued expenses in the statements of financial position.

#### **Short-Term Financing Facility**

In September 2022, the Company entered into a short-term financing facility with Fusion LLF, LLC (dba “Leaflink Financial”). The outstanding balance accrues interest at 2% per month and was due on December 1, 2022. On November 28, 2022, the Company drew down an additional tranche of funding from Leaflink Financial in the principal amount of \$700,695. The additional tranche matures on February 21, 2023 and accrues interest at 2.0% per month. During the nine months ended December 31, 2022, the Company drew down \$4,697,223 against the facility, incurred interest expense of \$212,873 and made repayments of principal and interest of \$4,196,059. As of December 31, 2022, the principal and accrued interest outstanding on the facility was \$714,037.

#### 14. **HOLDBACK AND CONTINGENT LIABILITY**

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On October 1, 2019, 14<sup>th</sup> Round obtained control of Uneka Concepts, Inc. (“Uneka”) through a management service agreement. Uneka is a successful, private company, the acquisition of which provided 14<sup>th</sup> Round with backward integration of a portion of its supply chain. Through the management service agreement, 14<sup>th</sup> Round had the power to control the relevant activities of Uneka, provides for exposure to variable returns and through its control, is able to use its power to affect the amount of returns to 14<sup>th</sup> Round. As a result of the control obtained, the assets and liabilities were consolidated into 14<sup>th</sup> Round’s consolidated financial statements. The acquisition was accounted for in accordance with IFRS 3. The assets consisted primarily of the cash, accounts receivable, inventory, property and equipment, customer relationships, intellectual property and certain other assets. The liabilities assumed consisted of accounts payable and various accrued liabilities. Subsequently, on February 26, 2020, 14<sup>th</sup> Round acquired 100% ownership of Uneka through entering into an Agreement and Plan of Merger (“the Agreement”).

As consideration for the acquisition, 14<sup>th</sup> Round issued 50,813 shares of its common stock with a per share fair value of \$246, based on management’s estimate of the fair value of 14<sup>th</sup> Round’s stock, for an aggregate purchase price of \$12,499,998. In addition, 14<sup>th</sup> Round would pay \$500,000 in cash, subject to any holdbacks for indemnification, one year after closing (the “Holdback Payable”). The net present value of the Holdback Payable on formation and roll up was \$497,636. Additionally, 14<sup>th</sup> Round had a working capital adjustment based upon the final closing working capital of \$408,233. The resulting holdback liability (the “Holdback Liability”) at the date of formation and roll up was \$89,402. During the six months ended September 30, 2021, the balance of the Holdback Liability of \$197,279 was paid. Additional consideration up to \$500,000 would be paid in cash on March 31, 2021 and March 31, 2022, contingent on gross profit milestones of \$5 million and \$6 million, respectively, being met. The net present fair value of the contingent consideration (the “Contingent Liability”) was estimated at \$479,681 at the date of formation and roll up. As of December 31, 2022, the fair value of the Contingent Liability was \$318,500 (March 31, 2022 \$499,623), with the gain on the change in fair value of the contingent consideration of \$181,500 and \$181,123, respectively, during the three and nine months ended December 31, 2022 (three and nine months ended December 31, 2021 – losses of \$3,432 and \$14,768, respectively) recorded in the condensed interim consolidated statements of loss and comprehensive loss. During the nine months ended December 31, 2022, the Company made payments of \$118,500 against the liability (nine months ended December 31, 2021 - \$440,000).

#### 15. **DEBT**

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##### **FBHI Notes Payable**

On May 10, 2021, Final Bell Corp (the California entity) entered into a convertible note agreement with the Company in the principal amount of \$6,250,000. The note bore interest at a rate of 7.00% per annum calculated on the principal outstanding. On May 24, 2021, July 29, 2021, October 13, 2021, November 22, 2021, and September 6, 2022 the Company subscribed for additional principal amounts of \$7,570,000, \$3,400,000, 400,000, \$9,028,388, and \$500,000, respectively, under the same terms. The notes give the Company the right to convert the principal and interest outstanding into equity securities of Final Bell Corp at any time up to the maturity date at price of \$2,000,000 per equity security. In the event Final Bell Corp raises \$50 million (including through a series of financings) in equity securities, the conversion price will be adjusted to 80% of the price in that equity raise (or in the event it issues a series of equity raises, the weighted average price thereof). As a result of this provision, the conversion option does not have a fixed settlement amount and was designated a financial liability. The estimated fair value of the conversion option at inception and as at December 31, 2021, was immaterial and has not been recorded. The Company recognized interest expenses related to these notes of \$1,551,415 for the nine months ended December 31, 2022 (nine months ended December 31, 2021 - \$774,275). On November 30, 2022, the Company completed a reverse take-over transaction with FBH under the terms of a Share Exchange Agreement (see Note 23 for details) and the intercompany notes were eliminated, and, as a result, as at December 31, 2022, the balance of the loan, including interest accrued, was \$nil (March 31, 2022 - \$27,897,907).

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**15. DEBT (continued)**

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**Convertible Notes / Karsten Convertible Notes**

Throughout calendar year 2021, the Company completed private placements in the aggregate principal amount of C\$22,770,000, primarily to further invest in and build the business operations of FBH and 14R. The Karsten Convertible Notes were issued pursuant to the terms of a trust indenture with an institutional trustee (the "Indenture") and will mature on January 31, 2024 (the "Maturity Date"). The Karsten Convertible Notes bear interest at 4% per annum from the date of issue and will be payable semi-annually in either cash or common shares of Karsten, at the discretion of the Company.

The principal amount of the Convertible Notes is convertible, at the option of the holder, into the Company shares at any time prior to the Maturity Date, at a conversion price of C\$1.65 per common share (the "Conversion Price"), being a conversion rate of approximately 606 common shares per \$1,000 principal amount of Convertible Notes so converted. In the event that the Company completes the Business Combination and issues shares to raise new equity capital of an aggregate value of C\$15 million or more (a "QCT"), the Convertible Notes will mandatorily and automatically convert into common shares, provided that: (i) if the issue price per common share (the "Issue Price") for the QCT is C\$2.00 or more, the Convertible Notes shall be converted into common shares at the Conversion Price; or (b) if the Issue Price for the QCT is between C\$0.80 and C\$2.00 per common share, the Convertible Notes shall be converted into common shares at the Issue Price minus 20%. If the Issue Price for the QCT is less than C\$0.80 per common share, the Convertible Notes shall not be automatically converted. The Convertible Notes are redeemable at par at the option of the Company on thirty days prior written notice after March 15, 2023.

The Convertible Notes are subordinated to the senior indebtedness of the Company but rank *pari passu* with other issues of Convertible Notes and, subject to statutory preferred exceptions, with all other present and future unsecured indebtedness of the Company. As the conversion price of the convertible notes is variable, the Company accounted for the convertible notes as a hybrid financial instrument with separate debt and derivative liability components.

The Company incurred interest expense of \$501,112 for the nine months ending December 31, 2022 and had \$222,716 of accrued interest payable on the convertible debentures as of December 31, 2022.

**Secured Convertible Notes**

On November 17, 2021 the Company issued an aggregate amount of C\$13,000,000 of Secured Convertible Notes as part of a units private placement comprised of Secured Convertible Notes and Warrants between the Company and Odyssey Trust Company. Interest was payable on such notes at a rate of 8% per annum and was payable on the maturity date. The maturity date for the Secured Convertible Notes was six months after closing being May 18, 2022. Most of the net proceeds from the issuance the Secured Convertible Notes were used by the Company to invest in and further develop the business of FBH.

On May 19, 2022, the Company entered into a first supplemental indenture to the trust indenture dated November 17, 2021, to extend the maturity date to August 17, 2022, increase the interest rate to 12.0%, permit additional indebtedness, among other adjustments to the original agreement. In consideration for the amendments and adjustments to the trust indenture, the Company paid an amendment fee to the note holders in the amount of C\$1,300,000.

On August 30, 2022 the Company fully repaid and retired the Secured Convertible Notes. Further, upon retirement, the Company entered into a supplement to the indenture governing the contingent share purchase warrants that were issued to the holders of the Secured Convertible Notes. As a result of the supplement, and upon completion of the Business Combination, the exercise price for the contingent share purchase warrants were adjusted to C\$0.92.

**15. DEBT (continued)**

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**Senior Secured Term Loan Facility**

On August 18, 2022, the Company entered into a loan agreement with Golden Iris International Limited, which provided for a senior secured term loan facility of up to US\$25 million (the "Term Loan"). The proceeds of the Term Loan were used to repay the Secured Convertible Notes plus all accrued interest, costs and expenses related thereto, including the amendment fee, and are also available to finance growth initiatives, pay the cash portion of the purchase price pursuant to the FB Canada SPA, and provide for ongoing working capital requirements. The Term Loan has a maturity date of August 18, 2025 and bears interest from and including each funding date at a rate of 12.0% per annum, the first half of which (6.0% per annum) is payable quarterly, and the second half of which (6.0% per annum) accrues quarterly and is due and payable on the Maturity Date or earlier repayment in full of the Term Loan.

The Term Loan also provides for an incentive payment to the senior lender in an amount equal to the full amount of the Term Loan plus interest thereon, which will be satisfied through the issuance of a share purchase warrant following funding and another share purchase warrant on equivalent terms following repayment of the Term Loan in respect of the second half of the interest rate accrued to such time.

At December 31, 2022, \$21,000,000 of the Term Loan had been fully funded across three funding tranches. The first tranche of \$13,000,000 was funded on August 30, 2022, the second tranche of \$4,000,000 was funded on October 12, 2022, and the third tranche of \$4,000,000 million was funded on November 15, 2022. Accordingly, accrued interest payable (the first half of the interest) on the Term Loan totaled \$381,616 and \$468,423 for the three and nine months ended December 31, 2022, respectively. The same amounts for the respective time periods were accrued (the second half of the interest) and added to the balance of the Term Loan and are due at maturity.

**Bridge Acquisition Loan**

In December 2022, the Company strengthened its balance sheet to opportunistically look at acquisitions in its operating territories and secured debt financing in the aggregate principal amount of \$1,250,000 from a group of strategic investors, which will be used to provide bridge and acquisition financing for potential targets in the operating territory. The Bridge Acquisition Loan bears interest at a rate of 9.00% per annum and matures on June 30, 2023. In consideration for the advance of the funding, the Company has agreed to issue the investors warrants to acquire subordinate voting shares of the Company upon closing. As of December 31, 2022, \$600,000 of the Bridge Acquisition Loan had been funded and interest of \$2,318 had accrued.

**Final Bell Canada Shareholder Promissory Note**

Upon closing of the Business Combination, and to effectuate the Final Bell Canada Acquisition, the Company issued (as part of the total consideration for the acquisition) a promissory note to Final Bell Canada shareholders in the aggregate amount of C\$1,650,000. The promissory note matures at the earlier of fifteen (15) months from issuance, or the completion of an equity capital raise by the Company for gross proceeds equal to or greater than C\$5,000,000.

## 16. SHAREHOLDERS' EQUITY

### Common Shares

The Company is authorized to issue an unlimited number of Subordinate Voting Shares, an unlimited number of Proportionate Voting Shares and an unlimited number of Class C Preferred Shares.

Holders of Subordinate Voting Shares are entitled to notice of and to attend and vote at any meeting of the Shareholders, except a meeting at which only holders of another class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share held.

Holders of Proportionate Voting Shares will be entitled to notice of and to attend and vote at any meeting of the Shareholders, except a meeting of which only holders of another class or series of shares of the Company will have the right to vote. Subject to the terms set out in the articles of the Company, at each such meeting, holders of Proportionate Voting Shares will be entitled to 100 votes in respect of each Proportionate Voting Share, and each fraction of a Proportionate Voting Share shall entitle the holder to the number of votes calculated by multiplying the fraction by 100 and rounding the product down to the nearest whole number, at each such meeting.

The changes in the number of issued and outstanding shares for the periods is as follows:

	<u>Share Capital</u>	<u>Class A Subordinate Voting Shares</u>	<u>Class B Proportionate Voting Shares</u>
<b>Balance, March 31, 2022 and 2021</b>	<b>1,501,718</b>	-	-
Issuance of Common Shares	234,246	-	-
Conversion of common shares	(1,735,964)	-	1,735,964
Acquisition of Final Bell Canada	-	4,453,609	-
Acquisition of 14th Round Minority Interest	-	-	639,986
Shares Issued on Reverse Take-Over	-	14,469,531	-
Compensation Shares Issued on Closing of Business Combination	-	13,046,474	-
<b>Balance, December 31, 2022</b>	<b>-</b>	<b>31,969,614</b>	<b>2,375,950</b>

Class B proportionate voting shares of the Company have yet to be issued to 14th Round minority shareholders that either dissented to the transaction or have options and / or warrants that will be reissued by FBHI at a later date.

On November 30, 2022 FBH consolidated its common shares on the basis of one common share for each 0.696 shares outstanding of the Company. The impact of the share capital consolidation has been reflected retroactively in these condensed interim consolidated financials.

### Series A Preferred Stock

14<sup>th</sup> Round was authorized to issue up to 84,389 preferred shares with \$0.01 par value per share.

On September 18, 2019, 14th Round closed on a Series A brokered financing (the "Second Offering") for 50,211 preferred shares, at a price of \$237 per share, for gross proceeds of \$11,900,007. On December 6, 2019, 14th Round closed an additional tranche to the Second Offering issuing 3,164 preferred shares, at a price of \$237 per share (the "Original Issue Price"), for gross proceeds of \$749,868. The Series A preferred stock is a class of voting preferred stock with certain anti-dilution rights and protective provisions. The holders of Series A preferred are entitled to receive dividends at a rate of 6% per annum. Such dividend is payable only when, as, and if declared by the board of directors of 14th Round and is non-cumulative. On February 12, 2021, 14<sup>th</sup> Round filed an Amended and Restated Certificate of Incorporation changing the conversion ratio for Series A preferred stock to common stock from a 1:1 ratio to a ratio equal to 1:1.354286 calculated by taking the Original Issue Price of \$237 divided by the Series A Conversion Price of \$175 (the "Conversion Ratio") and also made changes to the mandatory conversion price and threshold for such underwritten public offering as outlined in the conversion rights listed below.



Each share of Series A preferred is convertible, without payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable common stock as determined by the Conversion Ratio. The rights terminate in the event of liquidation, dissolution or winding up of 14<sup>th</sup> Round. The Series A preferred stockholders also have an anti-dilution protection that in the event of a merger or reorganization for example where additional shares of common stock are issued by 14<sup>th</sup> Round, the holders of Series A preferred stock are entitled to anti-dilution protection and the Series A Conversion Price would be adjusted, such that any value of common stock that is less than the Series A Conversion Price would result in an increase to the Conversion Ratio in favor of the holders of Series A preferred stock. As a result of this provision, the conversion option does not have a fixed settlement amount and the Series A preferred stock was designated a financial liability (see Note 21).

As of November 30, 2022, in connection with the acquisition of the minority interest of 14<sup>th</sup> Round, the preferred shares will be exchanged for 140,844 Class B Proportionate Voting Shares of FBHI. See Note 23.

### Share - Based Compensation

From time to time, 14<sup>th</sup> Round may grant options, warrants, restricted stock units (“RSUs”) (the “Awards”) or common stock in exchange for services under 14<sup>th</sup> Round’s stock plan (the “Stock Plan”). The aggregate number of shares of stock that may be issued under the Stock Plan is 100,000 and the total number of shares of stock issuable on the exercise of all outstanding Awards and the total number of shares provided for under any stock bonuses of similar plan may not exceed 30% of the then outstanding shares of the 14<sup>th</sup> Round. 14<sup>th</sup> Round recognizes compensation expense for stock option, warrant and RSU awards over the applicable service period of the award. The service period is generally the vesting period.

The share-based payments recorded on the condensed interim consolidated statements of loss and comprehensive loss are presented in the table below:

	<b>Three months ended</b> <b><u>December 31, 2022</u></b>	Three months ended <u>December 31, 2021</u>	<b>Nine months ended</b> <b><u>December 31, 2022</u></b>	Nine months ended <u>December 31, 2021</u>
Restricted Share Units	\$ -	\$ -	\$ -	\$ 3,275
Warrants	-	-	-	41,216
Common Shares	71,557	(295,910)	94,121	(197,650)
Options	-	-	-	774,449
	<u>\$ 71,557</u>	<u>\$ (295,910)</u>	<u>\$ 94,121</u>	<u>\$ 621,290</u>

The continuity of share-based payments reserve activity for the nine months ended December 31, 2022 and the year ended March 31, 2022 was as follows:

	<b>Nine months ended</b> <b><u>December 31, 2022</u></b>	Year ended <u>March 31, 2022</u>
<b>Balance, beginning of period</b>	\$ -	\$ -
Amortization of fair value of warrants	-	108,926
Amortization of fair value of common stock	94,121	(52,725)
Grant of options	-	774,449
Options cancelled	(94,427)	-
Warrants cancelled	(368,517)	-
Exercise of warrants	-	(16,840)
Reclass to Non-Controlling Interest upon Rollup	-	(813,810)
Acquisition of minority interest	1,627,666	-
<b>Balance, end of period</b>	<b><u>\$ 1,258,843</u></b>	<b><u>\$ -</u></b>

**Share - Based Compensation (Continued)***Restricted Stock Units*

From time to time, 14<sup>th</sup> Round may grant restricted share units in exchange for services provided. During the year ended March 31, 2022, 14<sup>th</sup> Round issued nil restricted share units to employees. 6,500 restricted share units were issued in advance for future services and vested on July 1, 2020. 14<sup>th</sup> Round also has 7,230 restricted share units outstanding that vest at a rate of 1/6<sup>th</sup> every six months beginning in December 2018, with each vesting tranche considered a separate award.

As the restricted share units were issued in advance, 14<sup>th</sup> Round recorded prepayments of these shares in the amount of \$513,435 which was the grant date fair value of the shares based on the price of the most recent private placement. The grant date fair value was amortized over the vesting period. For the three and nine months ended December 31, 2022, \$nil (three and nine months ended December 30, 2021 - \$nil and \$3,275), respectively related to this amortization was recognized as share-based payments expense in the statements of loss and comprehensive loss. As of December 31, 2022, 13,730 (March 31, 2022 - 13,730) restricted share units were issued and outstanding, all of which were vested.

*Vesting Stock*

On July 1, 2020, 14<sup>th</sup> Round granted 2,777 common shares of 14<sup>th</sup> Round under the terms of a board of advisors agreement (the “Advisors Agreement”). The Advisors Agreement was subsequently amended on February 1, 2021, May 24, 2021, December 30, 2021 and February 11, 2022. The estimated fair value of the common shares on the date of grant of \$180 per common share was based on the consideration value in the Advisors Agreement. According to the terms of the Advisors Agreement, 1,111 of the shares vest on June 30, 2023 or 30 days following the successful completion of a change in control of 14<sup>th</sup> Round or the successful completion of a merger, stock transfer or public offering transaction that results in the shares of 14<sup>th</sup> Round being listed on a securities exchange (“Public Listing”) and 1,666 of the shares vest in the event 14<sup>th</sup> Round completes a Public Listing on or before June 30, 2023. The grant date fair value of the common shares of \$499,860 is amortized over the vesting period. During the three and nine months ended December 31, 2022, 14<sup>th</sup> Round recorded an expense of \$71,557 and \$94,121, respectively (three and nine months ended December 31, 2021 – recovery of \$295,910 and \$197,650), related to this amortization included in share-based payments expense in the condensed interim statements of loss and comprehensive loss.

The following table summarizes the option activity for the periods:

	<b>Number of Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Life</b>
<b>Options Exercisable as of March 31, 2021</b>	-	\$ -	-
Options Granted	17,223	73	2.42
<b>Options Exercisable as of March 31, 2022</b>	17,223	\$ 73	2.42
Options Cancelled	(2,100)	73	1.92
<b>Options Exercisable as of December 31, 2022</b>	15,123	\$ 73	1.92

During the year ended March 31, 2022, 14<sup>th</sup> Round granted 17,223 options with an exercise price of \$73.24 to employees and consultants of 14<sup>th</sup> Round that vested upon grant. The weighted average grant date fair value of the options was estimated using the Black Scholes option pricing model with the following weighted average assumptions: a market price of \$73.24, based on a third-party valuation of 14<sup>th</sup> Round’s shares, expected dividend yield of 0%, expected volatility of 172.5%, based on the historic volatility of comparable companies, weighted average risk-free interest rate of 0.42% and a weighted average expected life of 3 years. The weighted average grant-date fair value of the options was \$774,449.

During the nine months ended December 31, 2022, 2,100 options with exercise prices of \$73.24, expired, unexercised.  
**Share - Based Compensation (Continued)**

*Vesting Stock (continued)*

As of December 31, 2022, 14<sup>th</sup> Round had the following options outstanding:

Date of expiry	Options outstanding	Options exercisable	Weighted average Exercise price	Grant date fair value vested	Weighted average remaining life (in years)
August 31, 2024	15,123	15,123	\$ 73.24	\$ 680,021	1.67

*Warrants*

Warrant transactions for the nine months ended December 31, 2022 and the year ended March 31, 2022 were as follows:

	Nine months ended December 31, 2022		Year ended March 31, 2022	
	Number of warrants	Weighted-Average Exercise Price Per Share	Number of warrants	Weighted-Average Exercise Price Per Share
<b>Balance, beginning of period</b>	<b>23,289</b>	<b>\$ 80</b>	22,180	\$ 63
Warrants Granted	-	-	2,109	237
Warrants Exercised	-	-	(1,000)	30
Warrants Cancelled	(15,180)	59	-	-
<b>Balance, end of period</b>	<b>8,109</b>	<b>\$ 119</b>	<b>23,289</b>	<b>80</b>

During the year ended March 31, 2022, 1,000 warrants were exercised for gross proceeds of \$30,000.

On January 14, 2022, 14<sup>th</sup> Round granted 2,109 warrants to EWB with an initial exercise price of \$237 per common share. The warrants carry a conversion right which allows the holder to exercise the warrants, into that number of shares as determined by dividing the fair market value of the common shares issuable upon exercise less the aggregate exercise value by the fair market value of one common share. The fair market value will be either (a) the closing price of the common shares on the business day immediately preceding the date the holder delivers a notice of exercise to 14<sup>th</sup> Round, if the common shares are traded in a public market or (b) if the shares are not traded in a public market, a market price as determined by the board of directors of 14<sup>th</sup> Round. Since the number of shares to be issued on the exercise of the warrants is not fixed, the warrants have been classified as a derivative financial instrument in the consolidated statements of financial position. The fair value of the warrants was estimated using the Black Scholes option pricing model, with the following weighted average assumptions: a market price of \$73.24, based on a third-party valuation of 14<sup>th</sup> Round's shares, expected dividend yield of 0%, expected volatility of 88.53%, based on the historic volatility of comparable companies, weighted average risk-free interest rate of 1.55% and a weighted average expected life of 5 years. The grant-date fair value of the warrants was \$74,916.

On February 11, 2022, 14<sup>th</sup> Round extended the expiry dates of certain warrants such that 6,000 warrants expiring on June 30, 2022, would expire on June 30, 2023. The weighted average incremental fair value of the warrants was estimated using the Black Scholes option pricing model, calculated immediately before and after the extension, with the following weighted average assumptions: a market price of \$73.24, based on a third-party valuation of 14<sup>th</sup> Round's shares, expected dividend yield of 0%, expected volatility of 96.35%, based on the historic volatility of comparable companies, weighted average risk-free interest rate of 1.07% and a weighted average expected life of 1.4 years. The grant-date fair value of the warrant extension was \$67,710.

During the nine months ended December 31, 2022, 15,180 warrants with weighted average exercise prices of \$59, were cancelled.

**Share - Based Compensation** (Continued)

*Warrants (Continued)*

As of December 31, 2022, 14<sup>th</sup> Round had warrants outstanding as follows:

Date of expiry	Warrants outstanding	Warrants exercisable	Weighted average Exercise price	Grant date fair value vested	Weighted average remaining life (in years)
June 30, 2023	6,000	6,000	\$ 78	\$ 219,745	0.50
January 14, 2027	2,109	2,109	237	74,916	4.04
	8,109	8,109	\$ 119	\$ 294,661	1.42

There were no equity settled share-based payments granted during the nine months ended December 31, 2022. The weighted average inputs used in the measurement of the grant date fair values of equity-settled share-based payments granted during the year ended March 31, 2022 were as follows:

	<b>Year ended</b>
	<b><u>March 31, 2022</u></b>
Fair Value at Grant Date	\$ 33.03
Share Price at Grant Date	\$ 73.24
Exercise Price	\$ 86.04
Expected Volatility	142.14%
Expected Life	2.56
Divident Yield	0%
Risk-free Interest Rate	0.59%

## **17. NON-CONTROLLING INTEREST**

As part of the Final Bell Roll-Up transaction from the period of inception through March 31, 2021, the assets and liabilities of a combined group of companies were transferred into FBH. As a result, FBH owned 56% of 14th Round and 89% of DB Innovations as of March 31, 2022 with the remaining 44% and 11%, respectively were retained by the other owners of the contributed entities. On November 30, 2022, as part of the FBH SEA, FBHI acquired the remaining 44% of 14th Round. As a result, the Company owns 100% of 14th Round and 89% of DB Innovations as of December 31, 2022

**17. NON-CONTROLLING INTEREST (Continued)**


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On November 30, 2021, FBH paid the remaining \$5,400,000 for 593 shares of WCC under the terms of an SPA with the Seller, whereby FBH would purchase all shares the Seller owned in Westside Caregivers Club, Inc. (“WCC”), totaling 813 shares or 81.3% of the total ownership stake. The remaining 18.7% was retained by the other owners of WCC. See Note 4.

The following summarizes the changes in non-controlling interest for the year ended March 31, 2022 and the nine months ended December 31, 2022:

Balance, March 31, 2021	\$	4,678,731
Share of Assets Acquired from Non-Controlling Interest		(178,692)
Amortization of Discount on Note Receivable - Related Party		13,116
Share Based Compensation		830,650
Warrant exercise		30,000
Acquisition of WCC		1,702,091
Share of loss for the year		(3,025,904)
<b>Balance, March 31, 2022</b>	<b>\$</b>	<b>4,049,992</b>
Share Based Compensation		94,121
Option cancellation		(94,427)
Warrant cancellation		(368,517)
Share of loss for the period		(647,553)
Share of Assets Acquired from Non-Controlling Interest		(2,015,788)
<b>Balance, December 31, 2022</b>	<b>\$</b>	<b>1,017,828</b>

The following table summarizes the information relating to non-controlling interest (“NCI”), before any intra-company eliminations:

Current assets	\$	90,583
Non-current assets		12,548,773
Liabilities - Current and Non-Current		(6,297,072)
<b>Net Assets</b>		<b>6,342,284</b>
<b>Carrying amount of NCI</b>	<b>\$</b>	<b>1,017,828</b>
Loss for the period	\$	3,341,539
Loss allocated to NCI		647,553

## 18. COMMITMENTS AND CONTINGENCIES

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On April 4, 2019, 14<sup>th</sup> Round entered into an agreement for capital markets advisory services (the "Agreement") with an advisory service company (the "Advisor"). The term of the agreement is two years. In consideration for services provided by the Advisor to 14<sup>th</sup> Round, pursuant to the terms of the agreement, and upon the closing of a financing by 14<sup>th</sup> Round, the Advisor will be paid an advisory fee of 1% of the gross proceeds of a financing that involves an agent and/or underwriter and 5% of the gross proceeds of a financing by 14<sup>th</sup> Round that does not involve an agent and/or underwriter. In addition, on the occurrence of a Liquidity Event (defined below), the Advisor shall be granted an option to acquire for nominal consideration, (A) two percent (2.0%) on that portion of the total value of the Company (calculated on a fully--diluted basis) on a Liquidity Event up to Two Hundred Fifty Million (\$250 million), and (B) three and 3/4 percent (3.75%) on that portion of the total value of the Company (calculated on a fully-diluted basis) on a Liquidity Event that is Two Hundred Fifty Million (\$250 million) and greater, immediately prior to and contemporaneously with the occurrence of a Liquidity Event (the "Option").

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in compliance with applicable local and state regulation as of December 31, 2023, regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

From time to time, the Company may be involved in litigation related to claims arising out of operations in the normal course of business. As of December 31, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has material interest adverse to the Company's interest.

At formation and rollup, 14<sup>th</sup> Round had a loan from First Republic Bank in the amount of \$534,000 dated April 20, 2020, and during the period from Inception to March 31, 2021, received an additional loan from First Republic in the amount of \$726,314, dated January 31, 2021. Both loans were received under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loans may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The Loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. On April 7, 2021, and November 24, 2021, \$534,000 and \$726,314, respectively, of loans received under the Payroll Protection Program were forgiven.

## 19. RELATED PARTIES

In the normal course of business, the Company regularly has product sales to customers that are affiliated through common ownership. During the three and nine months ended December 31, 2022, the Company had sales to related parties of approximately \$240,248 and \$1,377,241, respectively (three and nine months ended December 31, 2021 - \$697,457 and \$1,839,523) and as of December 31, 2022, is owed trade receivables from related parties in the amount of \$160,810 (March 31, 2022 - \$445,959) that are included in accounts receivable in the condensed interim consolidated statements of financial position.

### Key Management Compensation

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and other members of key management personnel were as follows:

	Three months ended December 31, 2022	Three months ended December 31, 2021	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Directors & officer compensation	\$ 525,826	\$ 691,836	\$ 1,839,523	\$ 1,714,832
Share-based Payments	-	5,621	-	388,994
	\$ 525,826	\$ 697,457	\$ 1,839,523	\$ 2,103,826

During the nine months ended December 31, 2021, 14<sup>th</sup> Round granted 8,300 options to directors and officers of 14<sup>th</sup> Round with an estimated grant date fair value of \$383,374 (see Note 16). No options were granted during the nine months ended December 31, 2022.

### Notes Payables

During the nine months ended December 31, 2022, the Company received \$117,349 and repaid \$116,084 from ATC and received an additional \$2,080 from GEV. During the nine months ended December 31, 2021, the Company repaid \$1,347 to ATC.

As of December 31, 2022, outstanding balances of note payables to GEV and ATC are \$680,604 and \$1,030,315 (March 31, 2022 - \$678,524 and \$1,029,050), respectively. The entire remaining balance of principal, and all accrued interest at the rate of 0% per annum, will be due and payable in full on January 1, 2026. GEV and ATC are controlled by directors of the Company.

On September 7, 2021, the Company entered into a promissory note with PrimeTime Raley LLC (“PrimeTime”), a company with a common director, in the principal amount of \$1,500,000. The interest rate on the promissory note is 1%. The principal balance, and all accrued interest, would be due and payable in full on March 1, 2022 (“Maturity Date”). On March 1, 2022, the Maturity date on the promissory note with PrimeTime was extended to August 31, 2022. The promissory note may be prepaid in whole or part, without penalty, at any time or from time to time. By December 31, 2022, the Company repaid the note in full and the balance of the loan, including interest accrued, was \$nil at December 31, 2022 (March 31, 2022 - \$1,508,425).

## 20. GENERAL AND ADMINISTRATIVE EXPENSES

For the three and nine months ended December 31, 2022 and 2021, general and administrative expenses comprised:

	For the three months ended December 31, 2022		For the three months ended December 31, 2021		For the nine months ended December 31, 2022		For the nine months ended December 31, 2021	
Salaries and Benefits	\$ 2,845,050	97.31%	\$ 1,937,789	45.44%	\$ 8,458,767	65.28%	\$ 5,055,205	44.93%
Consulting and Management Fee	452,011	15.46%	551,704	12.94%	953,809	7.36%	1,343,592	11.94%
Professional Fees	441,859	15.11%	635,498	14.90%	1,282,083	9.89%	1,815,767	16.14%
Office Expenses	1,238,781	42.37%	1,220,624	28.63%	3,717,501	28.69%	2,720,408	24.18%
Advertising and Marketing	402,184	13.76%	(193,295)	-4.53%	827,689	6.39%	37,776	0.34%
Meals and Entertainment	18,831	0.64%	22,092	0.52%	47,760	0.37%	37,408	0.33%
Travel	111,162	3.80%	102,405	2.40%	256,502	1.98%	251,475	2.24%
Foreign Exchange Expense	(2,586,035)	-88.45%	(12,782)	-0.30%	(2,586,111)	-19.96%	(10,356)	-0.09%
<b>Total</b>	<b>\$ 2,923,843</b>	<b>100.00%</b>	<b>\$ 4,264,035</b>	<b>100.00%</b>	<b>\$ 12,958,000</b>	<b>100.00%</b>	<b>\$ 11,251,275</b>	<b>100.00%</b>

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

### Classification and Measurement of Financial Instruments

The Company's financial instruments consist of cash, trade accounts receivable, notes receivable, accounts payable, accrued expenses, holdback liability, series A preferred stock liability and contingent liability. The Company classified and measured its accounts receivable, notes receivable and notes payable as subsequently measured at amortized cost. The accounts payable and accrued expenses are classified and measured at amortized cost. Cash, series A preferred stock liability and contingent liability are classified and measured at FVTPL.

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 primarily include interest rate risk, price risk, credit risk and liquidity risk.



## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

### Classification and Measurement of Financial Instruments (Continued)

#### Fair value

Where material, these risks are reviewed and monitored by the Board of Directors who actively focus on securing the Company's cash flows by minimizing the exposure to volatile financial instrument risks.

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements 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.

There were no transfers into or out of the fair value levels for the nine months ended December 31, 2022 or the year ended March 31, 2022. As of December 31, 2022, the Company's contingent liability of \$200,000, series A preferred stock liability of \$nil, the derivative liability related to the convertible notes (see Note 15) and the derivative financial instrument related to warrants issued to EWB (see Note 16) are classified as FVTPL and at level 3 in the fair value hierarchy.

The Company's contingent liability relates to the earn-out consideration on the acquisition of Uneka by 14th Round and was valued at the net present value of the future consideration at a discount rate of 2.79% as at December,31 2022. The gain on the change in fair value of the contingent liability for the three and nine months ended December 31, 2022 was \$181,500 and \$181,123 (three and nine months ended December 31, 2021 – loss of \$3,432 and \$14,768), respectively, and is included in the condensed interim consolidated statements of loss and comprehensive loss.

14<sup>th</sup> Round Series A preferred stock carries an anti-dilution conversion option that does not have a fixed settlement amount because the conversion price is subject to adjustment based on the occurrence of future offerings. As a result, the Company has elected to designate the entire instrument as a financial liability measured at fair value through profit and loss from the initial recognition date in accordance with IFRS 9. The fair value of the preferred stock at the date of issuance was determined to be the cash price of \$237 less costs of issuance. As of March 31, 2022, the Series A preferred stock was valued using the probability-weighted expected return method ("PWERM"). Under the PWERM method, the Series A preferred stock was valued using the following significant assumptions:

Senarios	IPO Low	IPO High	Stay Private
Time to exit (in years)	0.33	0.67	2.00
Expected probability	50.0%	25.0%	25.0%
Value per common share (conversion price)	\$ 162.10	\$ 285.90	\$ -

The loss on the change in the fair value of the preferred stock liability for the nine months ended December 31, 2022, was \$nil (three and nine months ended December 31, 2021 – gain of \$2,332,488 and loss of \$864,675, respectively) and is included in the condensed interim consolidated statements of loss and comprehensive loss. As of November 30, 2022, in connection with the acquisition of the minority interest of 14th Round, and upon preferred shareholder consent, the preferred shares will be exchanged for 140,844 Class B Proportionate Voting Shares of the Company.

Due to the short-term nature of cash, trade accounts receivable, accounts payable and accrued expenses the carrying value of these financial instruments approximate their fair value.

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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### Financial Risk Factors

#### *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 exposure to interest rate risk is minimal as the leases and notes have fixed terms for the periods ending December 31, 2022.

#### *Foreign currency risk*

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in its foreign subsidiaries. The Company's foreign currency risk arises primarily with respect to the Chinese Yuan Renminbi ("RMB") and the Canadian Dollar ("CAD"). Fluctuations in the exchange rates between the RMB and CAD and the US dollar could have a material impact on the Company's business, financial condition and results of operations. The Company does not engage in hedging activity to mitigate this risk.

The following summary illustrates the fluctuations in the exchange rates applied for the nine months ended December 31, 2022:

	Average rate	Closing rate
RMB	0.1449	0.1449
CAD	0.7358	0.7380

A \$0.01 strengthening or weakening of the US dollar against the RMB at December 31, 2022 would result in an increase or decrease in other comprehensive income of approximately \$97,570. A \$0.01 strengthening or weakening of the US dollar against the CAD at December 31, 2022 would result in an increase or decrease in other comprehensive income of approximately \$241,207.

#### *Credit risk*

Credit risk is the risk that a counterparty fails to meet its contractual obligation to the Company. The Company is exposed to the risk for various financial instruments through receivables from customers and the potential for cash fraud. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized for the nine months ending December 31, 2022 and the year ending March 31, 2022.

The Company closely monitors cash by preparing a monthly bank reconciliation for management's examination. When material transactions are expected management reviews its completeness and accuracy through an online portal.

The Company prepares and reviews an account receivable aging report on a weekly basis and follows-up, when applicable.

The Company also continuously monitors potential defaults of customers on an individual basis and incorporates this information into its credit risk controls. Where available, at reasonable cost, external credit ratings and credit checks are obtained and used. The Company's policy is to deal only with creditworthy customers. During the three and nine months ended December 31, 2022, the Company recorded bad debt expense of \$2,505,790 and \$2,777,345 (three and nine months ended September 30, 2021 - \$4,003,327 and \$6,385,531), respectively, related to the change in provision for expected credit losses.

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS *(continued)*

### Financial Risk Factors *(Continued)*

#### *Credit risk (Continued)*

The Company's aging of trade receivables, net of expected credit losses, was as follows:

	<u>Accounts Receivable, Net</u>	
	December 31, 2022	March 31, 2022
Current	\$ 1,890,065	\$ 6,241,367
Past due 1 to 30 days	3,515,870	2,730,054
Past due 31 to 60 days	1,150,614	2,925,226
Past due 61 to 90 days	819,166	334,106
Past due 91 to 120 days	<u>3,032,116</u>	<u>129,534</u>
<b>Total</b>	<u>\$ 10,407,831</u>	<u>\$ 12,360,287</u>

The expected loss rates are based on historical credit losses, past industry experience and adjusted to reflect current and forward-looking information of each customer's ability to settle the receivables. This is affected and adjusted constantly on a customer-by-customer basis, which includes information from economic conditions.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade receivables in a timely manner, which could in turn impact the Company's ability to meet its current commitments and obligations. Other than leases (Note 12), credit facility (Note 13), and debt (Note 15), all of the Company's financial obligations have maturities of less than one year.

The Company manages its liquidity needs by monitoring its cash flow from operating activities and its current plans for capital outlay. The Company uses a variety of forecasting tools to manage cash inflows and outflows on a daily, weekly, monthly and quarterly basis.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, which primarily includes cash inflows from trade receivables in comparison to cash outflows from trade payables and accrued liabilities. As of December 31, 2022, the Company had a cash balance of \$4,772,039 (March 31, 2022 - \$3,406,733) and an accounts receivable balance of \$10,407,831 (March 31, 2022 - \$12,360,287). The Company's total accounts payable and accrued expenses as of December 31, 2022 was \$23,225,854 (March 31, 2022 - \$18,186,982) which have contractual maturities of less than 90 days.

**21. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS** *(Continued)*

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**Financial Risk Factors** *(Continued)**Management of Capital*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue operations. In the management of capital, the Company includes its components of operating lease obligations, cash and equity.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses. Management reviews its capital management policies on an ongoing basis.

*Novel Coronavirus ("COVID-19")*

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

## 22. SEGMENT NOTE

IFRS 8 requires operating segments to be determined based on the Company’s internal reporting to the Chief Operating Decision Maker (“CODM”). The CODM has been determined to be the Company’s CEO as he is primarily responsible for the assessment of performance. The CODM uses revenues as the key measure of each segment’s performance for the period under evaluation.

The Company has determined it has two key segments 1) hardware and packaging and 2) formulating, filling and co-packing products for various cannabis brands in California and Canada – along with the associated corporate expenses (“Master manufacturing”). Together, these segments provide the Company with a fully integrated business model.

### Segmented Operating Results for the three months ended December 31, 2022

(\$ in millions)	Hardware &		Master		Total
	Packaging		Manufacturing		
Revenue	\$	12.4	\$	5.9	\$ 18.3
Cost of Goods Sold		8.2		5.0	13.3
Gross Profit	\$	4.2	\$	0.9	\$ 5.0
Expenses		6.4		0.8	7.1
Income (Loss) from Operations	\$	(2.2)	\$	0.1	\$ (2.1)

### Segmented Operating Results for the three months ended December 31, 2021

(\$ in millions)	Hardware &		Master		Total
	Packaging		Manufacturing		
Revenue	\$	16.2	\$	3.9	\$ 20.1
Cost of Goods Sold		12.3		3.6	15.9
Gross Profit	\$	3.9	\$	0.3	\$ 4.2
Expenses		6.6		2.7	9.3
Income (Loss) from Operations	\$	(2.7)	\$	(2.3)	\$ (5.1)

### Segmented Operating Results for the nine months ended December 31, 2022

(\$ in millions)	Hardware &		Master		Total
	Packaging		Manufacturing		
Revenue	\$	37.8	\$	14.4	\$ 52.3
Cost of Goods Sold		25.8		11.5	37.4
Gross Profit	\$	12.0	\$	2.9	\$ 14.9
Expenses		13.0		7.6	20.6
Income (Loss) from Operations	\$	(1.0)	\$	(4.7)	\$ (5.7)

### Segmented Operating Results for the nine months ended December 31, 2021

(\$ in millions)	Hardware &		Master		Total
	Packaging		Manufacturing		
Revenue	\$	46.9	\$	9.1	\$ 56.0
Cost of Goods Sold		34.8		7.9	42.7
Gross Profit	\$	12.1	\$	1.2	\$ 13.4
Expenses		16.3		5.3	21.6
Income (Loss) from Operations	\$	(4.2)	\$	(4.1)	\$ (8.2)

## 23. BUSINESS COMBINATION

### Share Exchange Agreement

On November 30, 2022, the Company completed a business combination pursuant to a share exchange agreement (the “FBH SEA”) whereby shareholders of FBH received Class B Proportionate Voting Shares of the Company. Each common share of FBH was exchanged 0.696 of a proportionate voting share (each whole proportionate voting share, a “PV Share”) of the Company. The combination constituted a reverse takeover transaction whereby following the closing of the share exchange, FBH is now a wholly owned subsidiary of the Company and the Company will carry on the business of FBH.

The transaction is assumed to constitute an asset acquisition as FBHI did not meet the definition of a business. The assets acquired and liabilities assumed were recorded at their estimated fair values, which are based on management’s estimates.

At the time of filing, the Company is in process on its purchase price allocation and fair value determination surrounding the Business Combination. As such, the fair value measurements presented herein surrounding purchase price allocation have been left at the book values at the time of acquisition. The Company plans to complete its purchase price allocation work associated with the Business Combination in the coming quarter.

#### Purchase price consideration paid:

Fair Value of Shares Issued	\$ 12,058,452
<u>Total Consideration</u>	<u>\$ 12,058,452</u>

\* the estimated fair value of the FBHI shares was based on the deemed valuation of the Company after giving pro forma effect to the completion the transactions contemplated by the FBH SEA agreements.

#### Net assets acquired (FBHI at November 30, 2022):

Cash	\$ 517,973
Accounts Receivable, Net	31,600
Notes Receivable	33,890,298
Accounts Payable	(514,327)
Accrued Expenses	(32,138)
Secured loan	(21,298,933)
Convertible notes	(13,588,685)
Derivative Liability	(6,095,170)
<u>Total Identifiable Net Assets</u>	<u>(7,089,382)</u>
Excess of Purchase Price over Fair Value of Assets Acquired (expensed)	19,147,834
<u>Preliminary Accounting Estimates of Net Assets Acquired</u>	<u>\$ 12,058,452</u>

### 14th Round Minority Acquisition

Further to the FBH SEA, FBHI completed the acquisition of the remaining 44% of 14<sup>th</sup> Round’s outstanding shares not held by FBH pursuant to a definitive agreement and plan of merger with 14th Round (the “14th Round Merger Agreement”) whereby the remaining shareholders of 14<sup>th</sup> Round received 639,986 Class B proportionate voting shares of the Company with an estimated fair value of \$57,480,178 based on the deemed valuation of the Company after giving pro forma effect to the completion the transactions contemplated by the FBH SEA agreements. As a result of the close of the acquisition, 14th Round became a wholly-owned subsidiary of FBHI. Class B proportionate voting shares of the Company have yet to be issued to 14th Round minority shareholders that either dissented to the transaction or have options and / or warrants that will be reissued by FBHI at a later date.

## 23. BUSINESS COMBINATION *(continued)*

### FB Canada Acquisition

On November 30, 2022, the Company completed the acquisition of all the outstanding shares of FB Canada according to the terms of a share purchase agreement (the “FB Canada SPA”). As a result of the control obtained through the acquisition, the assets and liabilities of FB Canada were consolidated into the Company's financial statements. As consideration for the acquisition, the Company paid cash of C\$3,350,000 (\$2,486,705), issued C\$1,650,000 (\$1,224,795) in promissory notes and issued subordinate voting shares of the Company with an estimated value of C\$5,000,000 (\$3,711,500) based on the deemed valuation of the Company after giving pro forma effect to the completion the transactions contemplated by the FBH SEA agreements. Management determined that this acquisition meets the definition of a business under IFRS 3 and therefore the transaction was accounted as a business combination.

The following table summarizes the consideration for the acquisition:

Cash	\$ 2,486,705
Promissory notes	1,224,795
Estimated fair value of shares issued	3,711,500
<b>Total Consideration</b>	<b>\$ 7,423,000</b>

\* the estimated fair value of the FBHI shares was based on the deemed valuation of the Company after giving pro forma effect to the completion the transactions contemplated by the FBH SEA agreements.

The following table summarizes the accounting estimates of the acquisition with a purchase price of \$7,423,000:

Cash	\$ 1,251,016
Accounts Receivable, Net	4,908,072
Inventories	5,098,644
Prepaid Expenses	42,654
Property and Equipment, Net	569,182
Investments	1,855,750
Other long term assets	405,562
Accounts Payable	(4,825,309)
Accrued Expenses	(111,748)
Accounts Payable, Related Party	(4,902,546)
Performance Obligation	(911,239)
Notes Payable	(5,796,572)
<b>Total Identifiable Net Assets</b>	<b>(2,416,534)</b>
Goodwill	9,839,534
<b>Preliminary Accounting Estimates of Net Assets Acquired</b>	<b>\$ 7,423,000</b>

## 24. SUBSEQUENT EVENTS

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The Company has evaluated subsequent events through February 27, 2023, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition at December 31, 2022, have been incorporated into these condensed interim consolidated financial statements.

### **Fourth Tranche Funding and Closing of Senior Secured Term Loan Facility**

On January 25, 2023, the Company received the fourth and final tranche of funding from Golden Iris International Limited for \$4,000,000. This last funding brings the total amount funded under the term loan facility to the agreed upon \$25,000,000 per the original term loan agreement executed in August 2022. With the full funding and closing of the facility, the Company issued the incentive payment to Golden Iris International Limited for the full amount funded through the issuance of a share purchase warrant.

Contemporaneously with the funding of the final tranche of the senior secured term loan, the Company was able to retire the outstanding related party loans payable to GEV and ATC in their entirety.

### **Short Term Financing Facility Updates**

On February 21, 2023, the Company and Fusion LLF, LLC agreed to a five-week payment plan to repay the outstanding balance of funds borrowed which totaled \$742,518. The plan is expected to be complete and full amount borrowed repaid by March 28, 2023.

### **Additional Funding of Bridge Acquisition Loan**

Throughout January and February 2023, the Company closed on an additional \$450,000 of additional funding on the Bridge Acquisition Loan. The 2023 injections brought the total amount funded on the loan to \$1,050,000. The Company anticipates reaching its funding target on the loan of \$1,250,000 in March 2023.



This is Exhibit "7" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO#85519T

**FINAL BELL HOLDINGS INTERNATIONAL LTD**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED MARCH 31, 2023  
AND 2022**

**(Unaudited)**

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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UNAUDITED

**Independent Auditor's Report**

[Open for Audit Report]

UNAUDITED

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Consolidated Statements of Financial Position**  
**As of March 31, 2023 and 2022**  
**(Audited) (expressed in US dollars, unless otherwise stated)**

		<u>March 31, 2023</u>	<u>March 31, 2022</u>
<b>ASSETS</b>			
Current Assets:			
Cash		\$ 3,920,275	\$ 3,406,733
Accounts Receivable, Net	NOTE 6, 26	10,716,646	12,360,287
Inventories	NOTE 7	11,997,683	9,337,797
Prepaid Expenses	NOTE 8	2,279,431	1,712,426
<b>Total Current Assets</b>		<b>28,914,035</b>	<b>26,817,243</b>
Property and Equipment, Net	NOTE 9	5,467,177	4,613,030
Intangible Assets, Net	NOTE 10	21,576,597	16,229,880
Goodwill	NOTE 10	6,343,203	2,029,682
Right-of-Use Asset	NOTE 11	5,356,262	8,770,549
Notes Receivable- Related Party, Net of Current Portion	NOTE 12	-	5,950,630
Net Investment in Sublease	NOTE 11	429,724	759,026
Other Long Term Assets		931,387	413,703
Deferred Income Tax Asset	NOTE 16	2,395,122	-
<b>TOTAL ASSETS</b>		<b>\$ 71,413,507</b>	<b>\$ 65,583,743</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities:			
Current Liabilities:			
Accounts Payable		\$ 19,351,511	\$ 12,851,728
Accrued Expenses	NOTE 14	3,175,016	5,335,254
Deferred Revenue	NOTE 21	1,448,083	2,388,386
Related Party Loans	NOTE 25	1,250,000	3,215,999
Bridge Acquisition Loan	NOTE 18	-	-
Current Portion of Credit Facility	NOTE 15	3,078,588	-
Unsecured Convertible Notes	NOTE 18, 26	19,386,637	-
Promissory Note	NOTE 18	1,110,214	-
Current Portion of Lease Liability	NOTE 11	1,213,486	1,364,668
Deferred Consideration	NOTE 23	-	-
Income Tax Payable		3,455,125	196,600
<b>Total Current Liabilities</b>		<b>53,468,660</b>	<b>25,352,635</b>
Series A Preferred Stock Liability	NOTES 19, 26	16,700,000	11,150,038
Lease Liability, Net of Current Portion	NOTE 11	5,185,326	8,755,447
Credit Facility	NOTE 15	-	3,468,797
Contingent Liability	NOTE 17, 26	549,808	499,623
Notes Payable	NOTE 18	-	27,897,907
Derivative Financial Instruments	NOTES 18, 26	2,385,482	74,916
Secured Term Loan	NOTE 18	22,095,325	-
Other Long Term Liability		59,290	59,290
Deferred Income Tax Liability	NOTE 16	-	469,710
<b>TOTAL LIABILITIES</b>		<b>100,443,891</b>	<b>77,728,363</b>

See accompanying notes to the consolidated financial statements.

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Consolidated Statements of Financial Position**  
**As of March 31, 2023 and 2022**  
**(Audited) (expressed in US dollars, unless otherwise stated)**

*Continued Next Page*

Equity:	<i>NOTE 19</i>		
Share Capital		88,855,810	6,617,111
Additional Paid-in-Capital		-	-
Share Based Payments Reserve		1,240,934	-
Warrants		3,027,755	-
Accumulated Other Comprehensive Income		1,742,900	35,157
Accumulated Deficit		(124,806,514)	(22,846,880)
Equity attributable to Controlling Shareholders		(29,939,115)	(16,194,612)
Non-controlling interest	<i>NOTE 20</i>	908,731	4,049,992
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>(29,030,384)</b>	<b>(12,144,620)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 71,413,507</b>	<b>\$ 65,583,743</b>

Approved and authorized by the Board of Directors on [November X, 2023]

"Jason DeLand"  
 Director and Chairman of the Board

"Kay Jessel"  
 Director

See accompanying notes to the consolidated financial statements.

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended March 31, 2023 and 2022**

		For the year ended March 31, 2023	For the year ended March 31, 2022
Revenues	NOTES 21, 27	\$ 71,087,801	\$ 76,054,938
Cost of Goods Sold	NOTE 27	<u>52,379,245</u>	<u>60,186,070</u>
Gross Profit		<u>18,708,556</u>	<u>15,868,868</u>
Expenses:			
General and Administrative	NOTE 22	31,369,052	16,540,035
Bad Debt (Recovery) Expense	NOTE 6	(1,533,834)	6,714,440
Stock Based Compensation	NOTE 19	180,758	833,925
Depreciation and Amortization	NOTES 9, 10, 11	6,402,682	4,918,204
Total Expenses		<u>36,418,658</u>	<u>29,006,604</u>
Loss from Operations		<u>(17,710,102)</u>	<u>(13,137,736)</u>
Change in Fair Value of Series A Preferred Stock Liability	NOTE 26	(5,549,962)	(859,338)
Change in Fair Value of Contingent Consideration	NOTE 17	211,441	(18,148)
Change in Fair Value of Investments	NOTE 13	-	(7,048,819)
Change in Fair Value of Convertible Notes	NOTE 18	728,268	-
Change in Fair Value of Derivative Liabilities	NOTE 26	(82,925)	-
Loss from Investment in Associate		-	(72,858)
Fair Value Adjustment on Equity Accounted Investment		-	72,858
Finance Cost		(6,989,127)	(2,324,338)
Transaction Costs	NOTE 4	(21,837,663)	-
Other (Expense) Income		(578,090)	322,862
Total Other Expense		<u>(34,098,058)</u>	<u>(9,927,781)</u>
Loss before Income Taxes		<u>(51,808,160)</u>	<u>(23,065,517)</u>
Income Tax (Provision) Benefit	NOTE 16	<u>(393,693)</u>	<u>543,584</u>
Net Loss		<u>(52,201,853)</u>	<u>(22,521,933)</u>
Other Comprehensive Income (Loss):			
Items to be reclassified subsequently to Profit & Loss statement			
Foreign Currency Translation Gain		<u>1,707,743</u>	<u>5,245</u>
Comprehensive Loss		<u>\$ (50,494,110)</u>	<u>\$ (22,516,688)</u>
Loss for the Period Attributable to:			
Final Bell Holding, Inc.		(49,737,460)	(19,490,784)
Non-Controlling Interest	NOTE 20	<u>(756,650)</u>	<u>(3,025,904)</u>
		<u>\$ (50,494,110)</u>	<u>\$ (22,516,688)</u>
Basic and Diluted Loss per Share	NOTE 23	\$ (0.55)	\$ (12.98)
Weighted Average Number of Common Shares (formerly LLC Units)		90,883,934	2,157,641
- Basic and Diluted			

See accompanying notes to the consolidated financial statements.

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**For the Years Ended March 31, 2023 and 2022**

	Shares Issued	PV Shares Issued	SV Shares Issued	Share Capital	Additional Paid-In-Capital	Share Based Payments Reserve	Warrants	Accumulated Other Comprehensive Income	Accumulated Deficit	Equity Attributable to Controlling Shareholders	Non-Controlling Interest	Total Shareholders' Equity
Balance as of March 31, 2021 (as previously reported)	-	2,495,072	-	\$ -	\$ 6,617,111	\$ -	\$ -	\$ 38,085	\$ (3,224,317)	\$ 3,430,879	\$ 4,678,731	\$ 8,109,610
Retroactive application of reverse recapitalization	-	(2,495,072)	14,469,531	\$ 6,617,111	\$ (6,617,111)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance as of March 31, 2021 (as adjusted)	-	-	14,469,531	6,617,111	-	-	-	38,085	(3,224,317)	3,430,879	4,678,731	8,109,610
Net (Loss)	-	-	-	-	-	-	-	-	(19,487,856)	(19,487,856)	(3,034,077)	(22,521,933)
Foreign Currency Translation Gain	-	-	-	-	-	-	-	(2,928)	-	(2,928)	8,173	5,245
Stock-Based Compensation												
Vesting Stock											(52,725)	(52,725)
Warrants											108,926	108,926
Options											774,449	774,449
Warrant exercise											30,000	30,000
Amortization of Discount on Note Receivable - Related Party											13,116	13,116
Share of Assets Acquired from Non-Controlling Interest									178,692	178,692	(178,692)	-
Extinguishment of Note Receivable - Related Party									(313,399)	(313,399)	-	(313,399)
Acquisition of Westside											1,702,091	1,702,091
<b>Balance as of March 31, 2022</b>	-	-	<b>14,469,531</b>	<b>\$ 6,617,111</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,157</b>	<b>\$ (22,846,880)</b>	<b>\$ (16,194,612)</b>	<b>\$ 4,049,992</b>	<b>\$ (12,144,620)</b>
Balance as of March 31, 2022 (as previously reported)	-	2,495,072	-	\$ -	\$ 6,617,111	\$ -	\$ -	\$ 35,157	\$ (22,846,880)	\$ (16,194,612)	\$ 4,049,992	\$ (12,144,620)
Retroactive application of reverse recapitalization	-	(2,495,072)	14,469,531	\$ 6,617,111	\$ (6,617,111)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance as of March 31, 2022 (as adjusted)	-	-	14,469,531	6,617,111	-	-	-	35,157	(22,846,880)	(16,194,612)	4,049,992	(12,144,620)
Net (Loss) Income	-	-	-	-	-	-	-	-	(51,445,203)	(51,445,203)	(756,650)	(52,201,853)
Foreign Currency Translation Gain	-	-	-	-	-	-	-	1,707,743	-	1,707,743	-	1,707,743
Reverse takeover of FBHI by FBH at Fair Value of Capital Consideration	NOTE 4	173,259,000	1,732,590	-	12,995,579	-	-	-	-	12,995,579	-	12,995,579
Acquisition of Final Bell Canada	NOTE 4	4,453,609	-	4,453,609	3,934,190	-	-	-	-	3,934,190	-	3,934,190
Acquisition of 14th Round Minority Interest	NOTE 4	63,998,600	639,986	-	51,838,866	1,224,299	-	-	(50,977,375)	2,085,790	(2,085,790)	-
Advisor Shares		337,431	3,374	-	3,374	-	-	-	-	3,374	-	3,374
Stock-Based Compensation	NOTE 19	16,046,474	-	16,046,474	13,131,429	16,655	-	-	-	13,148,064	164,123	13,312,187
Compensation Share Issuable in Lieu of Interest	NOTE 19	273,728	-	273,728	335,261	-	-	-	-	335,261	-	335,261
Warrant Issuance	NOTE 18	-	-	-	-	-	3,027,755	-	-	3,027,755	-	3,027,755
Option Expiry		-	-	-	-	-	-	-	94,427	94,427	(94,427)	-
Warrant Expiry		-	-	-	-	-	-	-	368,517	368,517	(368,517)	-
<b>Balance as of March 31, 2023</b>	<b>258,368,842</b>	<b>2,375,950</b>	<b>35,243,342</b>	<b>\$ 88,855,810</b>	<b>\$ -</b>	<b>\$ 1,240,934</b>	<b>\$ 3,027,755</b>	<b>\$ 1,742,900</b>	<b>\$ (124,806,514)</b>	<b>\$ (29,939,115)</b>	<b>\$ 908,731</b>	<b>\$ (29,030,384)</b>

See accompanying notes to the consolidated financial statements.



**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Years Ended March 31, 2023 and 2022**

		For the year ended March 31, 2023	For the year ended March 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Loss for the year		\$ (52,201,853)	\$ (22,521,933)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and Amortization	NOTE 9, 10, 11	6,402,682	4,918,204
Amortization of Loan Discount	NOTE 18	123,080	-
Share-based Payments Expense	NOTE 19	180,758	833,925
Current Income Taxes	NOTE 16	-	249,047
Deferred Income Taxes	NOTE 16	(2,864,832)	(792,631)
Bad Debt (Recovery) Expense	NOTE 6	(1,533,834)	6,714,440
Gain on Forgiveness of Small Business Loan	NOTE 24	-	(1,260,314)
Gain on Lease Amendment/Termination	NOTE 11	(293,957)	(272,828)
Loss on Disposal of Fixed Assets	NOTE 9	74,602	127,861
Interest income accrued	NOTE 11	(386,237)	(311,130)
Interest expense accrued		1,061,824	1,274,349
Warrants issued for Credit Facility		-	74,916
Change in Fair Value of Preferred Stock Liability	NOTE 26	5,549,962	859,338
Change in Fair Value of Contingent Liability	NOTE 17	(211,441)	18,148
Change in Fair Value of Investments	NOTE 13	-	7,048,819
Change in Fair Value of Convertible Notes	NOTE 18	(728,268)	-
Change in Fair Value of Derivative Liabilities	NOTE 26	82,925	-
Transaction Costs	NOTE 4	21,837,663	-
Issuance of Compensation Shares on Close of Business Combination	NOTE 19	13,131,429	-
Loss from investment in associate		-	72,858
Fair Value Adjustment on Equity Accounted Investment		-	(72,858)
Changes in Operating Assets and Liabilities:			
Accounts Receivable, Net		1,044,131	(7,813,557)
Inventories		1,404,863	(8,187,235)
Prepaid Expenses		(5,035)	(506,906)
Other Long Term Assets/Liabilities		(517,684)	101,403
Accounts Payable		2,841,848	5,001,494
Accrued Expenses		(2,315,288)	4,619,986
Income Tax Payable		3,258,525	(115,004)
Performance Obligation		(1,289,864)	(598,218)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(5,354,001)</b>	<b>(10,537,826)</b>

*Continued Next Page*

See accompanying notes to the consolidated financial statements.

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Years Ended March 31, 2023 and 2022**

		For the year ended March 31, 2023	For the year ended March 31, 2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of Property and Equipment	NOTE 9	(2,274,331)	(1,958,149)
Payment of Contingent Consideration	NOTE 17	(318,500)	(440,000)
Payment of Holdback Liability			(197,279)
Principal Reduction in Lease Receivable	NOTE 11	370,313	167,221
Investment in GSW Creative Corporation and Elysian Group, Inc.		-	(7,048,819)
Acquisition of Final Bell Canada	NOTE 4	(2,486,705)	-
Cash Acquired on Acquisition of Final Bell Canada	NOTE 4	1,251,005	-
Cash Acquired on Deemed Acquisition of Final Bell Holdings International Inc.	NOTE 4	517,973	-
Acquisition of Westside Caregivers Club, Inc.	NOTE 20	-	(7,400,000)
Issuance of Notes Receivable - Related Party	NOTE 12	-	(5,639,500)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,940,245)</b>	<b>(22,516,526)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issuance of Common Shares	NOTE 19	809	-
Issuance of Notes Payable	NOTE 18	5,650,000	26,648,388
Proceeds of Credit Facility	NOTE 15	6,228,426	3,468,797
Payment of Credit Facility	NOTE 15	(6,831,509)	-
Proceeds of Related Party Loans		1,362,828	1,930,000
Repayment of Related Party Loans		(3,328,827)	(1,347)
Proceeds of Term Loan	NOTE 18	4,000,000	-
Cash Contributions from Non-Controlling Interest		-	30,000
Principal Reduction in Lease Liability	NOTE 11	(1,548,080)	(603,905)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>5,533,647</b>	<b>31,471,933</b>
Effect of Exchange Rate Changes on Cash		3,274,141	(39,288)
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>513,542</b>	<b>(1,621,707)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>3,406,733</b>	<b>5,028,440</b>
<b>CASH AT END OF YEAR</b>		<b>\$ 3,920,275</b>	<b>\$ 3,406,733</b>
<b>SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES</b>			
Cash Paid for Interest		\$ -	\$ -
Cash Paid for Income Taxes and Installments		\$ -	\$ 182,275
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>			
Value of Shares Issued on Acquisition of Final Bell Canada		\$ 3,934,190	\$ -
Acquisition of 14th Round Minority Interest		\$ 51,838,866	\$ (178,692)
Value of Shares Issued on Reverse Acquisition of FBHI		\$ 12,995,579	\$ -
Accounts Receivable for Common Shares		\$ (2,565)	\$ -
Net Investment in Sublease		\$ -	\$ (1,222,471)
Extinguishment of Note Receivable - Related Party		\$ -	\$ 313,399
Change in Non-Controlling Interest due to Effect of Exchange Rate on Cash		\$ -	\$ (8,173)
Change in Non-Controlling Interest due to Amortization of Note Receivable - Related Party		\$ -	\$ (13,116)
Right of Use Asset and Lease Liability at Acquisition/Inception		\$ 778,266	\$ 8,956,010

See accompanying notes to the consolidated financial statements.

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended March 31, 2023 and 2022**

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**1. REPORTING ENTITY AND NATURE OF OPERATIONS**

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*Final Bell Holdings International Ltd.*

Final Bell Holdings International Ltd. (the "Company" or "FBHI") was incorporated as Karsten Energy Corp. under the *Business Corporations Act* (British Columbia) ("BCBCA") on November 28, 2012, and was classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "TSX-V") Policy 2.4. On November 18, 2014, the Company completed its qualifying transaction and was listed on the TSX-V as a tier 2 mining issuer. Listing of the Company's common shares was transferred to the NEX Board of the TSX-V on January 31, 2017. The Company's common shares were voluntarily delisted from the NEX Board on April 30, 2021. On October 27, 2021, the Company filed articles of amendment under the BCBCA changing its name from "Karsten Energy Corp." to "Final Bell Holdings International Ltd."

Effective November 30, 2022, the Company completed a series of transactions (collectively, the "Reverse Take-over ("RTO") and other acquisitions"), pursuant to which it acquired the group of companies operating in the cannabis space known as the "Final Bell Group", including Final Bell Holdings, Inc., a Delaware corporation ("FBH"), 14th Round Inc., a Delaware corporation ("14R" or "14th Round"), Final Bell Canada Inc., an Ontario corporation ("FB Canada"), and their respective subsidiaries and managed entities.

Also effective November 30, 2022, in connection with the RTO, the Company completed a share reorganization pursuant to which its share capital was reorganized to create and authorize a new class of Class B Proportionate Voting Shares (the "PV Shares") and to reclassify the common shares as Class A Subordinate Voting Shares (the "SV Shares"), each having the special rights and restrictions set out in Schedule A to the management information circular dated January 28, 2022 in respect of a special meeting of shareholders of the Company held on February 28, 2022. Subject to certain conditions, each PV Share is convertible into 100 SV Shares, and is entitled to vote with the SV Shares at the rate of 100 votes per PV Share.

[Legal to consider language on recent CTO developments per Sedar+]

*Final Bell Holdings, Inc.*

The predecessor of FBH is Final Bell Holdings, LLC ("FB LLC"), which was formed on November 25, 2020 as a California limited liability company. On December 27, 2020, pursuant to a Formation and Contribution Agreement, a roll-up transaction (the "Final Bell Roll-Up Transaction") was completed whereby FB LLC acquired the assets and liabilities of a combined group of companies operating in the cannabis space. The acquisition included a majority interest in 14R. Subsequently, on July 1, 2021, FB LLC completed a restructuring whereby the FB LLC shareholders transferred all of their membership interests in FB LLC to FBH in exchange for FBH shares. As a result of the restructuring, FB LLC became a Delaware corporation and a wholly owned subsidiary of FBH.

*Reverse Take-over and Other Acquisitions*

Prior to the RTO, the Company conducted business activities designed to support the advancement of the RTO, and to capitalize the business of FBH. The Company entered into a cooperation and investment agreement with FB LLC as of May 11, 2021, which provided for (i) an investment by the Company in the form of a convertible promissory note (the "Final Bell Note"), which was issued by Final Bell Corp (a subsidiary of FB LLC) in November 2021; (ii) an agreement by the parties to mutually cooperate to jointly develop and expand their cannabis business; (iii) an agreement by the parties to negotiate, advance and consummate the RTO; and (iv) a license agreement providing for a 10-year license granted by FB LLC to the Company to produce and distribute cannabis products for certain leading cannabis brands in Canada.

On October 12, 2021, the Company entered into a share exchange agreement with FBH and FBH's shareholders, as amended (the "FBH SEA"), pursuant to which the Company would acquire all of the FBH common shares in exchange for PV Shares of the Company. The FBH SEA resulted in the Company acquiring, effective November 30, 2022, each outstanding share of FBH in exchange for approximately 0.69576 PV Shares, being 1,735,964 PV Shares in the aggregate

**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended March 31, 2023 and 2022**

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(of which 3,374 were issued to an advisor to the transaction). The FBH SEA, as amended, further provided that, following the closing, the Company will use commercially reasonable efforts, subject to market conditions, to secure listing of the SV Shares on the Canadian Securities Exchange.

In order to expand into the cannabis business and to facilitate the RTO to acquire FBH, the Company raised C\$22.7 million of unsecured convertible notes (the "Unsecured Convertible Notes") in May 2021 and C\$13.0 million through the issuance of units comprised of (i) secured convertible notes (the "Secured Convertible Notes") pursuant to a note indenture made between the Company and Odyssey Trust Company (the "Trustee") dated as of November 17, 2021, and (ii) contingent common share purchase warrants (the "Warrants") pursuant to an indenture made between the Company and the Trustee dated as of November 17, 2021. Most of the net proceeds from the issuances of Unsecured Convertible Notes and Secured Convertible Notes were used by the Company to periodically invest in FBH, pursuant to the terms of the Final Bell Note, in order to finance its operations and growth and for general corporate purposes. The Secured Convertible Notes were repaid in full in August 2022, using proceeds from the Term Loan (as defined below).

Effective January 17, 2022, the Company entered into an agreement and plan of merger, as amended (the "14R Merger Agreement"), with 14R, the shareholders of 14R and a newly formed wholly owned subsidiary of the Company, pursuant to which the Company would acquire all of the issued and outstanding shares of 14R held by the minority shareholders of 14R, being approximately 44% of the issued share capital of 14R. The Company would indirectly acquire the remaining 56% of the share capital of 14R, which was held by FBH, through the FBH SEA. Pursuant to the 14R Merger Agreement, effective November 30, 2022, the 14R shareholders received 639,986 PV Shares in consideration for their shares of 14R based on 14R having a total valuation equal to 70% of the \$250,000,000 deemed valuation of the Company, on a consolidated basis, immediately following the RTO and other acquisitions.

Effective January 26, 2022, the Company entered into a share purchase agreement, as amended (the "FB Canada SPA"), with FB Canada and the FB Canada Shareholders, pursuant to which the Company would acquire all right, title and interest in and to the issued and outstanding shares in the capital of FB Canada for an aggregate purchase price of C\$10 million payable in a combination of cash and SV Shares. Effective November 30, 2022, the shareholders of FB Canada received aggregate consideration comprised of C\$3,350,000 in cash, C\$1,650,000 in promissory notes and 4,453,609 SV Shares of the Company.

As a result of the RTO which closed on November 30, 2022, the resulting business of the Company, and the application of the relevant guidance for reverse acquisitions under IFRS 3, FBH (the entity receiving securities) has been deemed the "accounting acquirer" while the Company (the entity issuing securities) has been deemed the "accounting acquiree". As such, the financial statements included herein reflect the historical results of FBH and equity has been retrospectively adjusted to present FBHI's equity structure for all periods presented.

Nature of Operations

The Company operates a highly competitive consolidated group of businesses providing end-to-end solutions to leading cannabis brands through integrated product development, manufacturing, and supply chain management. Through 14R, the Company also operates in the design and technology space, offering industrial design, engineering, manufacturing, branding, and child-resistant packaging solutions for cannabis vaporizers, edibles, and related products. The Company's California and Canada operations bring the ability for brands to fully outsource production and manufacturing of state-of-the-art hardware, packaging, licensed co-manufacturing, and product commercialization to a single supply chain partner.

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

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	Country of incorporation	% Ownership		Subsidiary of
		March 31, 2023	March 31, 2022	
Final Bell Holding, Inc.	USA	100%	NA	Final Bell Holdings International Ltd.
14th Round, Inc. ("14th Round")	USA	100%	56%	Final Bell Holding, Inc.
Uneka Concepts, Inc. ("Uneka")	USA	100%	100%	14th Round
14th Round Technology & Trade (Shenzhen) Co., Ltd. ("14th Round Shenzhen")	China	100%	100%	14th Round
Mallen Tech Co., Limited ("Mallentech")	Hong Kong	100%	100%	14th Round
Mallen Tech (Dongguan) Co., Ltd. ("DG Co.")	China	100%	100%	14th Round
Ares Imports, Inc. ("Ares")	USA	100%	100%	14th Round
14th Round (Canada) Inc.	Canada	100%	100%	14th Round
Final Bell Corp	USA	100%	100%	Final Bell Holding, Inc.
DB Innovation Inc. ("DB Innovation")	USA	89%	89%	Final Bell Holding, Inc.
DB Designs, LLC ("DB Designs")	USA	100%	100%	DB Innovation Inc.
Westside Caregivers Club, Inc. ("WCC")	USA	81%	81%	Final Bell Corp.
Final Bell Canada Inc.	Canada	100%	NA	Final Bell Holdings International Ltd.
Final Bell Corp	Canada	100%	100%	Final Bell Canada Inc.
Starseed Medicinal Inc.	Canada	100%	100%	Final Bell Canada Inc.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Presentation and Statement of Compliance**

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These consolidated financial statements were authorized for issue by the Company's board of directors on November [X], 2023.

The Company's consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. The Company's consolidated financial statements are presented in United States dollars ("\$" or "dollar"), unless otherwise noted.

**Basis of Measurement**

The Company's consolidated financial statements have been prepared on the going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows 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 continue to be successful in the future.

**Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method whereby the assets acquired, and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Acquisition-related costs are recognized in net income (loss) as incurred.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration is established for business acquisitions where the Company has the obligation to transfer additional assets or equity interests to the former owners if specified future events occur or conditions are met. The fair value of contingent consideration liabilities is typically based on the estimated future financial performance of the acquired business. Financial targets used in the estimation process include certain defined financial targets and realized internal rates of return. Contingent consideration is classified as a liability when the obligation requires settlement in cash or other assets and is classified as equity when the obligation requires settlement in the Company's own equity instruments. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with a corresponding adjustment to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are included in net income (loss) in the period. Contingent consideration is classified as a liability or equity and is measured at fair value on the acquisition date. Contingent consideration that is classified as a liability is re-measured to fair value at each reporting date, with changes included in the income statement in the post-combination period. Contingent consideration that is classified as equity is not re-measured in the post-combination period.

**Goodwill**

Goodwill arising on an acquisition of a business is carried at the amount established at the date of acquisition of the business less accumulated impairment losses, if any.

Corporate assets, which include the head office facility, do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of cash-generating units ("CGUs") to which the corporate assets can be reasonably and consistently allocated. Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination. A CGU to which

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goodwill has been allocated is tested for impairment annually on March 31, or more frequently when there is an indication that the CGU may be impaired.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping, discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. The fair value less costs to sell is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the nonfinancial assets in the CGU on a pro-rata basis. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other nonfinancial assets in the CGU or CGU grouping on a pro-rata basis. Any impairment losses are recognized in net income (loss) and any impairment loss recognized for goodwill is not reversed in subsequent years. See Note 10.

On disposal of the relevant CGU, the attributed amount of goodwill is included in the determination of the gain or loss on disposal. The determination of CGUs and the level at which goodwill is monitored, as well as whether there are indicators of impairment, requires judgment by management.

### **Principals of Consolidation**

All entities in which the Company has a controlling interest (Note 1) are consolidated or combined from the date that control commences until the date that the control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

### **Functional and Presentation Currency**

The Company's and its Canadian subsidiaries' functional currency, as determined by management, is the Canadian dollar ("CAD"). The Company's United States subsidiaries' functional currency, as determined by management, is the United States dollar ("USD"). Management has selected the USD as its presentation currency as the majority of the Company's revenue and operations are based in the United States. Accordingly, for FBHI and FB Canada, whose functional currency is in CAD, the results and financial position are translated into the USD using the following procedures:

- (a) assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each statement presenting profit or loss and other comprehensive income (i.e., including comparatives) are translated at the average exchange rate for the period; and

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(c) all resulting exchange differences are recognized in other comprehensive income.

Management translates equity items at the historical rate.

The foreign exchange differences arising are recorded in the cumulative translation account in other comprehensive income, a component of equity. On disposal of a foreign entity the deferred cumulative amount recognized in equity relating to the particular operation is recognized in the consolidated statements of loss and comprehensive loss.

### **Cash**

Cash includes cash deposits in financial institutions. Cash is a financial asset that is measured at amortized cost, which approximates fair value.

### **Accounts Receivable and Expected Credit Loss**

Accounts receivable is recorded at the invoiced amount and does not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience, current aging status of customer accounts, and financial condition of its customers.

Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered. Based on a review of these factors, the Company establishes or adjusts the allowance for specific customers and the accounts receivable portfolio as a whole. As of March 31, 2023, the Company recorded an allowance for expected credit losses of \$1,843,127 (March 31, 2022 - \$3,849,242 ). See Note 6.

### **Note Receivable – Related Party**

The Company reviews its notes receivable for collectability as information becomes available pertaining to the Company's inability to collect. An allowance for the note receivable is recorded for the likelihood of non-collectability. As of March 31, 2023 and 2022, the Company determined that no reserve was deemed necessary.

### **Inventories**

The Company's inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company reviews its inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value. As of March 31, 2023, inventories consist of \$13,184,138 (March 31, 2022 - \$9,884,524) in device and packaging inventory against which the Company has taken a reserve of \$317,465 (March 31, 2022 - \$546,727) with any inventory adjustments included in cost of goods sold in the consolidated statements of loss and comprehensive loss.

### **Leases and Right-of-Use ("ROU") Assets**

Leases are recorded in accordance with IFRS 16, *Leases*. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to



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produce inventories. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

### Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation, amortization and impairment losses. Depreciation and amortization is calculated using the straight-line method using the following methods and estimated useful lives:

Category	Depreciation Method	Estimated Useful Life
Furniture and Fixtures	Straight-line	7 Years
Manufacturing Equipment	Straight-line	1.5 to 10 Years
Leasehold Improvements	Straight-line	Remaining Life of Lease
Automobiles	Straight-line	5 Years
Computers	Straight-line	3 Years

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statements of loss and comprehensive loss in the year the asset is derecognized.

Repairs and maintenance that do not improve efficiency or extend economic life are charged to expense as incurred.

### Intangible Assets

The Company recognizes intangible assets acquired in a business combination, and recognized separately from goodwill, at their fair value at the acquisition date. Fair value at acquisition is calculated using the present value of estimated future cash flows the Company expects to generate from the asset acquired using a risk-adjusted discount rate. In determining its estimated future cash flows associated with its intangible assets, the Company uses estimates and assumptions about future revenue contributions, cost structures and remaining useful lives of the asset (asset group).

The Company uses a straight-line method of amortization, unless a method that better reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up can be reliably determined. The following are the estimated useful lives of the Company's intangible assets:

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	Useful life (in years)
Customer Relationships	1 - 5
Patents and Intellectual property	7
Marketing Related Intangible Assets	3 - 5
Non-Competition Agreement	3
Licenses	15 - 24

Intangible assets that have indefinite useful lives are tested annually for impairment or when events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount of the asset group exceeds its fair value. See *Note 10* for further information.

### Long-Lived Assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed each reporting period for indicators of impairment and reversal of impairment. Goodwill and indefinite life intangible assets are assessed for indicators of impairment at each reporting date and are tested annually or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which its carrying amount exceeds its recoverable amount. Except for goodwill, 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.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The Company did not record any impairment losses for the years ended March 31, 2023 and 2022. See *Note 9 & 10* for further information.

### Income Taxes

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Balance Sheets. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

The Company provides for income taxes based on enacted tax law and statutory tax rates at which items of income and expense are expected to be settled in its income tax return.

Certain items of revenue and expense are reported for federal income tax purposes in different periods than for financial reporting purposes, thereby resulting in deferred income taxes.

Deferred income taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. For the years ended March 31, 2023 and 2022, the Company has generated net losses for financial-reporting purposes and tax-reporting purposes.

The Company recognizes uncertain tax positions based on a benefit recognition model. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50% likely of being ultimately realized upon settlement.

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The tax position is derecognized when it is no longer more likely than not of being sustained. The Company classifies income tax related interest and penalties as interest expense and selling, general and administrative expense, respectively, on the consolidated statement of loss and comprehensive loss.

**Financial Instruments**

*Financial Assets*

Recognition and Initial Measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and Subsequent Measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of trade receivables.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss.

Business model assessment

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The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

**Financial Liabilities**

Recognition and Initial Measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Derecognition of financial liabilities

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The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Classification and subsequent measurement

Subsequent to initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest rate method. Interest and gains and losses relating to a financial liability are recognized in profit or loss. The Company's financial liabilities designated at FVTPL are measured at fair value using appropriate valuation techniques. Such techniques may include using discounted cash flow analysis or other valuation models.

Classification and Measurement

Cash	Amortized Cost
Accounts Receivable	Amortized Cost
Notes Receivable	Amortized Cost
Accounts Payable and Accrued Expenses	Amortized Cost
Holdback Liability	Amortized Cost
Credit Facility	Amortized Cost
Series A Preferred Stock Liability	FVTPL
Contingent Liability	FVTPL
Convertible Notes	FVTPL
Derivative Financial Instrument	FVTPL

**Revenue Recognition**

Revenue is recognized in accordance with IFRS 15, *Revenue from Contracts with Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract;
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from contracts with customers is recognized in the statement of income when the control of the asset or of the service has been transferred to the customer. The control transfer date is generally the date of delivery to the customer. Revenue is presented net of discounts and sales tax and other related taxes.

When determining the amount of revenue from contracts with customers, the Company evaluates whether it functions as a primary provider, or as an agent in the contract. The Company is the primary provider when it controls the guaranteed goods or services before they are transferred to the customer. In such cases, the Company recognizes revenue as the gross amount of proceeds. In cases where the Company functions as an agent, the Company recognizes the revenue as a net amount, after deducting the amounts which are owed to the primary provider.

Net revenue for the Company is defined as gross revenue, which is net of any customer discounts, rebates, and sales returns and recoveries, less excise taxes.

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**Costs of Goods Sold**

The Company's policy is to recognize costs of goods sold in the same manner in conjunction with revenue recognition. Cost of goods sold includes the costs directly attributable to revenue recognition and includes amounts paid for finished goods, such as batteries, cartridges, as well as packaging and other supplies for its products.

**Share – Based Payments**

The Company accounts for its share-based payments in accordance with IFRS 2, *Share-Based Payments*, which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made. For options and warrants, the Company estimates the fair value using a closed option valuation (Black-Scholes) model. The fair value of restricted share awards is based upon the estimated fair value price of the common shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, net of estimated forfeitures, which is generally the performance period, and the related amount is recognized in the consolidated statements of comprehensive income (loss).

The Black-Scholes option-pricing model requires the input of certain assumptions that require the Company's judgment, including the expected term and the expected share price volatility of the underlying stock.

The assumptions used in calculating the fair value of stock-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those share based rewards expected to vest. If the actual forfeiture rate is materially different from management's estimates, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

*Share based payment reserve*

The fair value of stock options is recorded as an expense on the grant date with a corresponding credit to share reserves. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Upon the exercise of stock options, proceeds received from stock option holders are recorded as an increase to share capital and the related share reserve is transferred to share capital.

**Related Party Transactions**

The Company follows IAS 24, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions. Related parties include: 1) The entity and the reporting entity are members of the same group. 2) One entity is an associate or joint venture of the other entity. 3) Both entities are joint ventures of the same third party. 4) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity. 5) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity. 6) The entity is controlled or jointly controlled by a person identified as the related party in previous section. 7) A person having control or joint control of the reporting entity (or his close family member) has significant influence over the entity in question or is a member of the key management personnel of this entity (or of a parent of this entity). 8) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transactions are required to be disclosed in the consolidated financial statements, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. The disclosures shall include: a) the nature of the relationship(s) involved; b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which a consolidated statement of comprehensive income is presented, and such other information deemed necessary to an understanding of the effects of

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the transactions on the consolidated financial statements; c) the dollar amounts of transactions for each of the periods for which a consolidated statement of comprehensive income is presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d) amounts due from or to related parties as of the date of balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

**Adoption of New and Revised Standards and Interpretations**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after April 1, 2023. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The Company has not identified any upcoming changes which could materially impact the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

*Amendments to IFRS 3 Reference to the Conceptual Framework*

The Company has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

*Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use*

The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

*Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract*

The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

**Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle**

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The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

*IFRS 1 First-time Adoption of International Financial Reporting Standards*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

*IFRS 9 Financial Instruments*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

*IFRS 16 Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements.

*IAS 41 Agriculture*

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

**New and revised IFRS Accounting Standards in issue but not yet effective**

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below.

*IFRS 17 Insurance Contracts*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.



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IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

*Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods should such transactions arise.

*Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods.

*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods.

*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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*Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's consolidated financial statements in future periods should such transactions arise.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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*Estimates*

The preparation of these consolidated financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income (loss), and the related disclosure of contingent assets and liabilities, if any. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income (loss) that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates under different assumptions or conditions. Set out below are the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of these consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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*Liquidity*

Historically, the Company's primary source of liquidity has been its operations, capital contributions made by equity investors and debt issuances. The Company is meeting its current operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As of March 31, 2023, the Company had an accumulated deficit of \$119.8 million, a net loss attributable to the Company of \$45.9 million and \$19.5 million for year ended March 31, 2023 and 2022, respectively and net cash used in operating activities of \$6 million and \$10.5 million for the year ended March 31, 2023 and 2022, respectively. As per liquidity risk (see Note 26, *Fair Value of Financial Instruments and Financial Risk Factors*), the Company estimates that based on current business operations and working capital and planned financing, it will continue to raise additional funding to meet its obligations as they become due in the short term.

The Company is generating cash from revenues and deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages its liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, the Company may continue to raise equity or debt capital from investors in order to meet liquidity needs. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to the Company.

*Consolidation and Combination*

The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over an entity, exposure or rights of variable returns from its involvement with the entity and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

Prior to the RTO and other acquisitions, and as of March 31, 2022, FBH owned 56% of 14R and 89% of DB Innovations from the Final Bell Roll-Up Transaction on December 27, 2020 and pursuant to a Formation and Contribution Agreement. As a result of the RTO and other acquisitions that closed on November 30, 2022, the Company fully acquired 100% of 14R, FBH, and FB Canada at March 31, 2023. The Company continues to retain its 89% ownership in DB Innovations at March 31, 2023.

On January 1, 2021, FBH entered into a stock purchase agreement ("SPA") with Westside 1237, Inc. ("Seller") whereby FBH would purchase all shares the Seller owned in Westside Caregivers Club, Inc. ("WCC"), totaling 813 shares or 81.3% of the total ownership stake. On May 17, 2021, FBH purchased 220 shares (22.0% of WCC) for \$2,000,000 and on November 30, 2021, acquired an additional 593 shares of WCC for \$5,400,000. FBH classified its investment in WCC as an investment in associate from May 17, 2021 to November 30, 2021 based on management's judgement that FBH had significant influence through its ownership of 22.0% of WCC and on November 30, 2021 transferred its investment in WCC to a business acquisition based on management's assessment that it had control through its 81.3% ownership interest.

All inter-company transactions, balances, income and expenses are eliminated through the consolidation process. The accounts of all subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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*Determination of Cash Generating Units (“CGUs”)*

Management is required to use judgment in determining which assets or group of assets make up appropriate CGUs, for the level at which goodwill and intangible assets are tested for impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent on the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets form CGUs of the Company. As of March 31, 2023, the Company’s CGUs have been identified at the operating entity level and consist of 14R, Final Bell U.S., and FB Canada. The units cannot be separated further due to the level of integration, and to a certain degree, interdependence between products and services lines within the business.

*Purchase Price Allocation*

Applying the acquisition method to the business combination requires each identifiable asset and liability to be measured at acquisition date fair value. The excess, if any, of the fair value of the consideration over the fair value of the net identifiable assets is allocated to goodwill. The assumptions and estimates relating to the determination of fair value require management to use a high degree of judgement and includes estimates of future incomes, cash flows and discount rates. Changes in any of these estimates or assumptions could result in changes in fair values assigned to the consideration for the acquisition and the fair value of the assets, liabilities and goodwill in the purchase price allocation.

*Fair Value of Financial Instruments*

Certain financial instruments, such as contingent liability and preferred stock liability, are measured at fair value. The Company uses judgement in selecting the methods used to make certain assumptions and in performing the fair value calculations in order to determine the fair value measurements for financial instruments that require subsequent measurement at fair value on a recurring basis. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. See Note 26.

*Useful life of property, plant and equipment and intangible assets with finite useful lives*

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, considering industry trends such as technological advancements, past experience, expected use and review of asset useful lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation methods and assumptions prospectively.

*Expected credit losses*

Determining an allowance for expected credit losses (“ECLs”) requires management to make assumptions about the historical patterns for the probability of default, the 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.

*Discount rate used in adoption of IFRS 16*

The determination of the Company’s lease liabilities, right-of-use assets, and net investment in leases depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company’s incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company’s consolidated financial statements.

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*Income and other taxes*

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income 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.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense included as part of net income (loss) and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

*Share-based payment transactions and warrants*

The Company measures the cost of equity-settled transactions with officers, directors, warrants, and options by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain and changes in these assumptions will affect the fair value estimates. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

*Inventory obsolescence*

Inventories are stated at a lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices.

*Functional currency*

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currencies and country specific factors that mainly influence sales prices, and the currencies that mainly influence labor, materials, and other costs of providing goods or services. The Company's functional currency is the Canadian dollar ("CAD"), and its presentation currency is the United States dollar ("USD").

#### **4. REVERSE TAKE-OVER AND RELATED ACQUISITIONS**

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**Share Exchange Agreement**

On November 30, 2022, the Company completed an acquisition pursuant to the FBH SEA whereby shareholders of FBH received PV Shares. Each common share of FBH was exchanged for 0.696 of a PV Share. The combination constituted a RTO transaction whereby, following the closing of the share exchange, FBH is now a wholly-owned subsidiary of the Company and the Company will carry on the business of FBH.

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At the time of the acquisition, the Company's assets consisted primarily of cash, accounts receivable and convertible note receivable and it did not have any processes capable of generating outputs; therefore, the Company did not meet the definition of a business. Accordingly, as the Company did not qualify as a business in accordance with IFRS 3 *Business Combinations*, the acquisition did not constitute a business combination; however, by analogy it has been accounted for as a reverse take-over following the guidance set out in IFRS 2 *Share-based Payment*. Therefore, FBH, the legal subsidiary, has been treated as the accounting acquirer, and the Company, the legal parent, has been treated as the accounting acquiree. The assets acquired and liabilities assumed were recorded at their estimated fair values, which are based on management's estimates and independent third party valuations.

Upon completion of the RTO the shareholders of FBH received 1,735,964 (of which 3,374 was issued to an advisor to the transaction) PV Shares in exchange for 2,495,072 FBH shares on a 1:0.696 basis. The consideration relating to the deemed shares issued in the reverse acquisition was based on the fair value of SV Shares of \$12,995,579 based on the fair value of \$0.90 per share of the Company on November 30, 2022. The fair value was estimated using a probability-weighted expected return method ("PWERM") with the following assumptions:

Probability	100.0%
Implied event date	November 30, 2022

Management determined that due to the short-term nature of cash, accounts receivable, convertible note receivable, accounts payable, accrued expenses and secured loan, the carrying amounts of these items approximate their fair values. The convertible note payable was recorded at fair value using a Black-Scholes Merton option pricing model for the conversion feature and a probability-weighted amortized cost method under two distinct redemption scenarios for the principal to be repaid with the following assumptions:

Volatility	56.0%
Risk-free rate	4.2%
Dividend yield	0.0%
Time in years	1.17

As the acquisition was not considered a business combination, the excess of consideration paid over the net assets acquired together with any transaction costs incurred for the RTO is expensed as a listing expense in accordance with IFRS 2 *Share-based Payments*.

Purchase price consideration paid:

Fair Value of Shares Issued	\$ 12,995,579
Total Consideration	\$ 12,995,579

\* the estimated fair value of the Common Shares was based on the deemed valuation of the Company after giving pro forma effect to the completion the transactions contemplated by the FBH SEA agreements.

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Net assets acquired (FBHI at November 30, 2022):

Cash	\$ 517,973
Accounts Receivable, Net	31,600
Notes Receivable	33,890,298
Accounts Payable	(514,327)
Accrued Expenses	(32,138)
Senior Secured Term Loan Facility	(21,000,000)
Unsecured Convertible Notes	(19,522,490)
Warrant Liability	(2,213,000)
<b>Total Identifiable Net Assets</b>	<b>(8,842,084)</b>
Excess of Purchase Price over Fair Value of Assets Acquired (expensed)	21,837,663
<b>Net Assets Acquired</b>	<b>\$ 12,995,579</b>

**14<sup>th</sup> Round Minority Acquisition**

Further to the FBH SEA, FBHI completed the acquisition of the remaining 44% of 14R's outstanding shares not held by FBH pursuant to 14R Merger Agreement whereby the remaining shareholders of 14R received 639,986 PV Shares of the Company with an estimated fair value of \$48,638,936 based on the deemed valuation of the Company after giving pro forma effect to the completion the transactions contemplated by the FBH SEA agreements. As a result of the close of the acquisition, 14R became a wholly-owned subsidiary of FBHI. As of March 31, 2023, PV Shares of the Company were not yet issued to 14R minority shareholders that either dissented to the transaction or had options and / or warrants that were to be reissued by FBHI at a later date. Refer to Note 19, *Shareholders' Equity* for discussion of the modification of the 14R options and warrants as a result of this transaction.

Carrying amount of NCI acquired	2,085,790
Consideration paid to NCI	51,838,866
<b>A decrease in equity attributable to owners of the Company</b>	<b>\$ (49,753,076)</b>

**FB Canada Acquisition**

On November 30, 2022, the Company completed the acquisition of all the outstanding shares of FB Canada according to the terms of the FB Canada SPA in order to facilitate the Company's entry into the Canadian cannabis market. Management determined that this acquisition meets the definition of a business under IFRS 3 and therefore the transaction was accounted as a business combination. As a result of the control obtained through the acquisition, the fair value of the assets and liabilities of FB Canada were consolidated into the Company's financial statements as of November 30, 2022. Total purchase consideration for FB Canada had a fair value of \$20,406,374 and consisted of the following:

Cash	\$ 2,486,705
Promissory notes	1,115,677
Estimated fair value of shares issued	3,934,190
Contingent Consideration	582,706
Settlement of Pre-existing Relationship	12,287,096
<b>Total Consideration</b>	<b>\$ 20,406,374</b>

The Company issued (as part of the total consideration for the FB Canada acquisition) a promissory note to the FB Canada sellers in the aggregate amount of \$1,224,795 (C\$1,650,000), which had a fair value of \$1,115,677



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(C\$1,503,000) as of the date of acquisition. The fair value of the promissory note was determined by the Company's third-party valuation specialists and was based on the time value of money. The promissory note does not bear interest and matures at the earlier of fifteen (15) months from issuance, or the completion of an equity capital raise by the Company for gross proceeds equal to or greater than C\$5,000,000. The consideration relating to the SV Shares issued for the acquisition was based on the fair value of the 4,453,609 SV Shares issued having a fair value of \$3,934,190 based on the fair value of CAD\$1.19 per SV Share of the Company on November 30, 2022. The fair value was estimated by third-party valuation specialists using an Option Price Method – Backsolve ("OPM Backsolve") model with the following assumptions:

Equity Volatility	58.0%
Weighted average risk-free interest rate	4.7%
Term to exit (years)	1.00

Contingent consideration is to be issued if FBHI issues shares at a valuation that is less than \$250,000,000 in connection with a listing of FBHI SV Shares on a public stock exchange or if FBHI is acquired prior to the listing of FBHI SV Shares at a valuation that is less than \$250,000,000. The contingent consideration was valued using the Black-Scholes-Merton model, further adjusted for counterparty credit risk, with the following assumptions:

Equity Volatility	56.0%
Risk-free rate	4.26%
Risk-adjusted discount rate	15.0%
Term to exit (years)	1.00

The acquisition of FB Canada effectively settled pre-existing relationships with FBH and 14R, and accordingly has been included within purchase consideration. As of March 31, 2023, management is still in the process of finalizing the purchase accounting for the acquisition of FB Canada, and accordingly, the provisional amounts below are subject to adjustment during the one-year measurement period allowed under IFRS 3.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed with a purchase price of \$20,406,374:

Cash	\$ 1,251,005
Accounts Receivable, Net	4,342,935
Inventories	4,064,749
Other Currents Assets	561,970
Property and Equipment, Net	569,182
ROU Asset	572,609
Intangible Assets	8,929,869
Accounts Payable	(3,187,962)
Accrued Expenses	(108,661)
Performance Obligation	(349,561)
ROU Liability	(572,609)
<b>Total Identifiable Net Assets</b>	<b>16,073,526</b>
<b>Goodwill</b>	<b>4,332,848</b>
<b>Preliminary Fair Value of Assets Acquired and Liabilities Assumed</b>	<b>\$ 20,406,374</b>

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For the year ended March 31, 2023, FB Canada contributed revenue of [\$6,479,761] and loss of [\$1,834,309] to the Company's consolidated results. If the acquisition had occurred on April 1, 2022, management estimates that consolidated revenue would have been \$[82,878,207] and consolidated net loss would have been \$[58,334,552].

**5. CONCENTRATIONS OF BUSINESS AND CREDIT RISK**

The Company maintains cash balances in reputable financial institutions in Canada and financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain federal limitations. At times, the Company's cash balance exceeds these federal limitations. The Company has not historically experienced any material losses. The Company's cash held in foreign banks are not subject to FDIC insurance coverage and at March 31, 2023 and March 31, 2022 the Company had \$218,522 and \$283,544, respectively, in foreign banks.

The Company provides credit in the normal course of business to customers located throughout the U.S. and Canada. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information.

As of March 31, 2023, \$2,406,675 (March 31, 2022 - \$3,503,098) was included in trade accounts receivable for these three hardware and packaging customers. In management's opinion, these customers could be replaced by other customers, if necessary.

One of the Company's hardware suppliers accounted for 45% of the cost of goods sold for the year ended March 31, 2023 (year ended March 31, 2022 - 51%). As of March 31, 2023, \$10,981,191 (March 31, 2022, \$7,055,799) was included in accounts payable and \$157,737 (March 31, 2022 - \$185,478) was included in prepaid expenses as amounts related to the Company's outsourced hardware and packaging manufacturer. In the management's opinion, the hardware and packaging supplies and manufacturing capabilities can be acquired from another outsourced manufacturer, if necessary.

**6. ACCOUNTS RECEIVABLE**

As of March 31, 2023 accounts receivable was \$10,716,646 (March 31, 2022 - \$12,360,287), primarily consisting of trade receivables, sales tax receivable and excise tax receivable, net of an allowance for expected credit losses. Sales tax receivable and excise tax receivable represent excess of input tax credits on purchased goods or services received over sales and excise tax collected on the taxable sales in Canada and the United States.

The following summarizes the changes in expected credit losses for the years ended March 31, 2023 and 2022:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Opening Allowance	\$ (3,849,236)	\$ (1,969,166)
Additional Credit Loss Recorded	(408,577)	(1,880,070)
Bad Debt Recovery	2,414,530	-
<b>Total</b>	<u>\$ (1,843,283)</u>	<u>\$ (3,849,236)</u>

The Company records certain adjustments directly to accounts receivable and does not record such adjustments through the allowance for expected credit losses.

During the year ended March 31, 2023, the Company recorded a recovery of credit loss allowance due from related parties of \$2,414,494. Due to the recovery of the credit loss allowance, the Company recorded a net bad debt recovery

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of \$1,533,834 for the year ended March 31, 2023 (year ended March 31, 2022 – bad debt expense \$6,714,440) in the consolidated statements of loss and comprehensive loss.

**7. INVENTORY**

As of March 31, 2023 and 2022, inventory consisted of the following:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Inventory	\$ 12,315,148	\$ 9,884,524
Reserve	<u>(317,465)</u>	<u>(546,727)</u>
<b>Inventory</b>	<b><u>\$ 11,997,683</u></b>	<b><u>\$ 9,337,797</u></b>

The cost of goods sold is comprised of the cost of inventories sold during the period, provisions and write-downs for inventory that does not pass the Company's quality assurance standards and obsolete products and packaging. As of March 31, 2023, total write-downs of inventory recorded was \$392,270 (March 31, 2022 - \$438,143) and is recorded within costs of good sold in the consolidated statements of loss and comprehensive loss.

**8. PREPAID EXPENSES**

As of March 31, 2023 and 2022, prepaid expenses consisted of the following:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Advances to Suppliers	\$ 253,474	\$ 847,149
Prepaid Facility Costs	-	350,598
Prepaid Insurance	160,741	106,104
Prepaid Cannabis License	86,666	57,408
Tax Installments	256,506	2,994
Prepaid Royalties	1,480,800	-
Prepaid Other	<u>41,244</u>	<u>348,173</u>
<b>Total Prepaid</b>	<b><u>\$ 2,279,431</u></b>	<b><u>\$ 1,712,426</u></b>

**9. PROPERTY AND EQUIPMENT**

As of March 31, 2023 and March 31, 2022, property and equipment consisted of the following:

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	Furniture and Fixtures	Machinery and Equipment	Tooling, Moulding and Dies	Leasehold Improvements	Automobiles	Computers	Total
<b>Cost</b>							
Balance as of April 1, 2022	\$ 430,429	\$ 4,011,234	\$ 1,440,432	\$ 1,265,532	\$ 269,955	\$ 363,701	\$ 7,781,283
Additions	802	687,804	818,407	738,900	12,317	16,101	2,274,331
Acquisition of FB Canada	5,880	206,482	-	351,452	-	5,368	569,182
Disposals	-	(57,244)	-	(24,817)	(17,408)	-	(99,469)
Effect of Foreign Exchange	(640)	(101,935)	-	(2,325)	-	(1,119)	(106,019)
<b>Balance as of March 31, 2023</b>	<b>\$ 436,471</b>	<b>\$ 4,746,341</b>	<b>\$ 2,258,839</b>	<b>\$ 2,328,743</b>	<b>\$ 264,864</b>	<b>\$ 384,051</b>	<b>\$ 10,419,308</b>
<b>Accumulated Depreciation</b>							
Balance as of April 1, 2022	\$ 197,139	\$ 1,183,430	\$ 1,217,322	\$ 243,902	\$ 151,679	\$ 174,781	\$ 3,168,253
Depreciation	92,066	884,471	258,730	465,299	55,949	67,477	1,823,993
Disposals	-	(22,364)	-	-	(2,503)	-	(24,867)
Effect of Foreign Exchange	(231)	(15,504)	-	906	-	(420)	(15,249)
<b>Balance as of March 31, 2023</b>	<b>\$ 288,974</b>	<b>\$ 2,030,033</b>	<b>\$ 1,476,052</b>	<b>\$ 710,107</b>	<b>\$ 205,126</b>	<b>\$ 241,838</b>	<b>\$ 4,952,131</b>
<b>Net Book Value</b>							
Balance as of April 1, 2022	\$ 233,290	\$ 2,827,804	\$ 223,110	\$ 1,021,630	\$ 118,276	\$ 188,920	\$ 4,613,030
<b>Balance as of March 31, 2023</b>	<b>\$ 147,497</b>	<b>\$ 2,716,307</b>	<b>\$ 782,787</b>	<b>\$ 1,618,636</b>	<b>\$ 59,738</b>	<b>\$ 142,212</b>	<b>\$ 5,467,177</b>
<b>Cost</b>							
Balance as of April 1, 2021	\$ 227,483	\$ 2,744,467	\$ 1,124,933	\$ 300,010	\$ 215,677	\$ 168,522	\$ 4,781,092
Acquisition of Westside	133,637	245,925	15,211	765,806	-	-	1,160,579
Additions	69,070	995,534	300,288	344,198	54,278	194,781	1,958,149
Disposals	-	(18,981)	-	(149,648)	-	-	(168,629)
Effect of Foreign Exchange	239	44,289	-	5,166	-	398	50,092
<b>Balance as of March 31, 2022</b>	<b>\$ 430,429</b>	<b>\$ 4,011,234</b>	<b>\$ 1,440,432</b>	<b>\$ 1,265,532</b>	<b>\$ 269,955</b>	<b>\$ 363,701</b>	<b>\$ 7,781,283</b>
<b>Accumulated Depreciation</b>							
Balance as of April 1, 2021	\$ 153,161	\$ 566,192	\$ 972,536	\$ 111,509	\$ 102,900	\$ 119,654	\$ 2,025,952
Disposals	-	(4,436)	-	(36,332)	-	-	(40,768)
Depreciation	43,919	617,609	244,786	168,111	48,779	55,032	1,178,236
Effect of Foreign Exchange	59	4,065	-	614	-	95	4,833
<b>Balance as of March 31, 2022</b>	<b>\$ 197,139</b>	<b>\$ 1,183,430</b>	<b>\$ 1,217,322</b>	<b>\$ 243,902</b>	<b>\$ 151,679</b>	<b>\$ 174,781</b>	<b>\$ 3,168,253</b>

The Company reviews the carrying value of its property and equipment at each reporting period for indicators of impairment and assesses their useful lives in accordance with IAS 36. The Company did not record any impairment losses related to its property and equipment during the year ended March 31, 2023 or the year ended March 31, 2022.

Depreciation expense for the year ended March 31, 2023 was \$1,823,993 (year ended March 31, 2022 - \$1,178,236).

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**10. INTANGIBLE ASSETS AND GOODWILL**

**Intangibles**

The components of intangible assets as of March 31, 2023 and March 31, 2022 are as follows:

	Patents and Intellectual Property	Customer Relationships	Marketing Related Intangible Assets	Non- competition agreement	Licenses	Total
Balance March 31, 2021	\$ 11,643,809	\$ 1,085,000	\$ 175,000	\$ 12,500	\$ -	\$ 12,916,309
Acquisition of WCC	-	-	-	-	6,300,000	6,300,000
Amortization	(2,411,429)	(310,000)	(116,667)	(8,333)	(140,000)	(2,986,429)
Balance March 31, 2022	\$ 9,232,380	\$ 775,000	\$ 58,333	\$ 4,167	\$ 6,160,000	\$ 16,229,880
Acquisition of Final Bell Canada	\$ -	\$ 630,955	\$ 1,588,522	\$ -	\$ 6,710,392	8,929,869
Amortization	(2,411,429)	(399,793)	(216,580)	(4,167)	(511,573)	(3,543,542)
Effect of Foreign Exchange	-	(2,756)	(6,982)	-	(29,872)	(39,609)
Balance March 31, 2023	\$ 6,820,951	\$ 1,003,406	\$ 1,423,293	\$ -	\$ 12,328,947	\$ 21,576,597

The Company's patents and intellectual property primarily relate to 14R's acquisition of Uneka, which occurred in October 2019. The patent and intellectual property had a fair value of \$8,880,000 upon recognition, with an estimated useful life of 7 years. As of March 31, 2023, the carrying amount of the patent and intellectual property was \$4,440,000 with a remaining useful life of approximately 3.5 years (March 31, 2022 – \$5,814,286; 4.5 years).

The Company's licenses primarily related to FBH's acquisition of WCC on November 30, 2021 when the Company recognized the fair value of the WCC cannabis license under the Medicinal and Adult Use Cannabis Regulation and Safety Act ("MAUCRSA") (the "WCC License"). Management estimated a useful life of 15 years for the WCC License based on analysis of market and legislative trends and standard practice for intangibles. The license had a fair value of \$6,300,000 upon recognition. As of March 31, 2023, the carrying amount of the license was \$5,740,000 with a remaining useful life of approximately 14 years (March 31, 2022 – \$6,160,000; 15 years).

On November 30, 2022, FBHI acquired FB Canada (see Note 4) and recognized the fair value of the following intangible assets acquired:

- Marketing and Related Intangible Assets with a fair value of \$1,588,522 having an estimated useful life of 3.3 years valued using the relief from royalty income approach with the following assumptions:

Royalty Rate	2.0%
Discount Rate	17.0%
Tax Rate	26.5%

- Customer Relationships with a fair value of \$630,955 having an estimated useful life of 2.3 years valued using the with and without income approach using a discount rate of 17.0%.
- License with a fair value of \$6,710,392 having an estimated useful life of 24.3 years valued using the multi-period excess earnings method using a discount rate of 17.0%.

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The Company reviews the carrying value of its intangible assets with definite lives in accordance with IAS 36 at each reporting period for indicators of impairment. No impairment losses were recorded for the year ended March 31, 2023 or 2022 related to the Company's intangible assets.

Amortization expense for the year ended March 31, 2023, was \$3,543,542 (year ended March 31, 2022 - \$2,986,429) and is recorded within depreciation and amortization within the consolidated statement of loss and comprehensive and loss.

**Goodwill**

Changes in the carrying amount of goodwill are as follows:

Balance March 31, 2021	\$ -
Acquisition of WCC	2,029,682
Balance March 31, 2022	<u>\$ 2,029,682</u>
Acquisition of FB Canada (see Note 4)	4,332,848
Effect of Foreign Exchange	(19,327)
Balance March 31, 2023	<u>\$ 6,343,203</u>

On an annual basis, the Company assesses for indicators of impairment or when facts or circumstances suggest that the carrying amount may exceed the recoverable amount. Goodwill is tested for impairment annually.

FBHI performed its annual impairment test as of March 31, 2023 based on the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). The recoverable amount of the CGUs to which goodwill is allocated were determined based on FVLCD using Level 3 inputs in a discounted cash flow ("DCF") analysis. Where applicable, the Company uses its market capitalization and comparative market multiples to corroborate DCF results. The significant assumptions applied in the determination of the recoverable amount are described below:

- i. Cash flows: Estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends. Estimated cash flows are primarily driven by forecasted revenues and earnings before interest, taxes, depreciation and amortization (EBITDA) margins. The Final Bell U.S. CGU forecast was extended to a total of 7 years (and a terminal year thereafter).
- ii. Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth;
- iii. Post-tax discount rate: The post-tax discount rate is reflective of the CGU's Weighted Average Cost of Capital ("WACC"). The WACC was estimated based on the risk-free rate, equity risk premium, levered equity beta adjustment, an unsystematic size and Company-specific risk premium, and after-tax cost of debt based on the average interest expense of comparable companies; and
- iv. Tax rate: The tax rates used in determining the future cash flows were those substantively enacted at the respective valuation date.

**11. LEASES**

The Company records its lease liabilities in accordance with IFRS 16, and as a result recognizes the right-of-use ("ROU") assets and lease liabilities.

As of March 31, 2023, the Company's right of use asset consisted of the following:

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	Cost	Amortization	Balance
<b>Balance, March 31, 2021</b>	<b>\$ 2,305,958</b>	<b>\$ (916,208)</b>	<b>\$ 1,389,750</b>
Additions	4,527,511	(544,526)	3,982,985
Acquisition of Westside	4,546,034	(209,013)	4,337,021
Transition to investment in sublease receivable	(1,772,666)	823,023	(949,643)
Effect of Foreign Exchange	-	10,436	10,436
<b>Balance, March 31, 2022</b>	<b>\$ 9,606,837</b>	<b>\$ (836,288)</b>	<b>\$ 8,770,549</b>
Additions	778,266	(1,035,146)	(256,880)
Lease modification	(3,060,153)	190,335	(2,869,817)
Lease extinguishment	(404,904)	135,848	(269,056)
Effect of Foreign Exchange	(18,168)	(367)	(18,536)
<b>Balance, March 31, 2023</b>	<b>\$ 6,901,879</b>	<b>\$ (1,545,618)</b>	<b>\$ 5,356,262</b>

On May 7, 2018, 14R entered into a lease assignment agreement for its corporate office with a related party, which includes an option to extend or terminate the lease. 14R's monthly payments are \$26,172, subject to a 3% annual increase during the duration of the lease term. On September 1, 2021, 14R subleased the space to a third party under the same terms as the original lease and recognized an investment in sublease receivable of \$1,222,471 included in other long-term assets in the consolidated statements of financial position. The gain on the lease transition of \$272,828 is included in general and administrative expense in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2022. This sublease agreement resulted in the recognition of a net investment in sublease by 14R included under long-term assets in the statements of financial position.

On May 1, 2020, 14R entered into a lease agreement for factory space in China. 14R's average monthly payments for the lease term are RMB 48,382 subject to an 8% increase after two years. At inception, 14R recognized a ROU asset and a lease liability in the amount of \$374,075. In February 2022, the lease was terminated resulting in the Company forfeiting a two-month deposit for an immaterial amount. A gain on the lease termination of \$28,844 is included in other income (expense) in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2023.

On June 24, 2021, 14R entered into a lease assignment agreement for its warehouse space with a 5 year lease term commencing September 1, 2021, which includes two renewal options for 60 months each. 14R's monthly payments are \$26,053, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$1,396,353.

On September 29, 2021, 14R entered into a lease agreement for office space with a 6 year lease term commencing March 1, 2022. The lease includes a renewal option for 60 months. 14R's monthly payments are \$40,540, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$3,013,623. On February 3, 2023, 14R terminated the lease resulting in a gain on lease termination of \$239,941 recorded within other income (expense) in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2023.

On November 30, 2021, FBH acquired WCC which had a lease agreement for its warehouse space. At acquisition, FBH recognized a right of use asset and a lease liability in the amount of \$4,546,034, using its incremental borrowing rate of 7.33%.

On January 15, 2022, FBH entered into a lease agreement for office space with a 2-year lease term commencing January 15, 2022. The lease includes a renewal option for 24 months. FBH's monthly payments were \$6,250, subject to a 3% annual increase during the duration of the lease term. At the date of acquisition, the right-of-use asset acquired and lease liability assumed were recorded at fair value of \$117,535. On August 1, 2022, the lease was amended to reduce the office space and lower the monthly payments to \$1,950 subject to a 3% annual increase for the remainder of the lease term. A gain on the lease amendment of \$25,171 is included in other income (expense) in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2023.

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On January 20, 2022, 14R entered into a lease agreement for a factory to be used for production in China. 14R's average monthly payments for the lease term are RMB 32,373 subject to an 10% increase after ten years. At inception, 14R recognized a ROU asset and a lease liability in the amount of \$205,657.

On November 30, 2022, FBHI acquired FB Canada (see Note 4, *Reverse Take-Over and Related Acquisitions*) which had a lease agreement for its office space. At acquisition, FBHI recognized a right of use asset and a lease liability in the amount of \$572,609 using FB Canada's incremental borrowing rate of 23.7%.

For the year ended March 31, 2023, the Company recognized amortization and interest expense in the amounts of \$1,035,146 and \$499,438 (year ended March 31, 2022 - \$753,539 and \$323,411), respectively. As of March 31, 2023, the right-of-use asset and lease liability balances were \$5,356,262 and \$6,398,812 (March 31, 2022 - \$8,770,549 and \$10,120,115), respectively.

A reconciliation of the lease liabilities for the years ended March 31, 2023 and 2022 are as follows:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Balance, Beginning of Period	\$ 10,120,115	\$ 1,639,313
Acquisition of WCC	-	4,546,034
Acquisition of Canada	572,609	-
Lease amendment	(3,134,930)	-
Lease extinguishment	(297,900)	-
Lease Additions	205,657	4,527,511
Lease Payments	(1,548,080)	(927,317)
Interest Expense on Lease Liability	499,438	323,411
Foreign Currency Adjustment	(18,098)	11,163
Balance, End of Period	<u>\$ 6,398,812</u>	<u>\$ 10,120,115</u>

Future minimum payments due under the Company's operating leases are as follows:

<u>Year Ended March 31</u>	<u>Operating Lease Payment</u>
2024	1,704,593
2025	1,728,282
2026	1,449,421
2027	1,162,798
Thereafter	<u>1,835,585</u>
Total Lease Payments	7,880,680
Less Imputed Interest	<u>(1,481,868)</u>
Total	\$ 6,398,812
Less: current portion	<u>(1,213,486)</u>
<b>Lease Liability, Net of Current Portion</b>	<b><u>\$ 5,185,326</u></b>

A reconciliation of investment in sublease for the year ended March 31, 2023 and the year ended March 31, 2022 is as follows:



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	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Balance, Beginning of Period	\$ 1,055,250	\$ -
Transition from Lease Liability	-	1,222,471
Lease Payments Received	(361,669)	(207,515)
Interest Income	<u>65,445</u>	<u>40,294</u>
Balance, End of Period	<u>\$ 759,026</u>	<u>\$ 1,055,250</u>

Future minimum payments receivable under the Company's investment in sublease are as follows:

<u>Year Ended March 31</u>	<u>Operating Lease Receivable</u>
2024	\$ 372,680
2025	384,296
2026	64,856
2027	<u>-</u>
Total Undiscounted Lease Receivable	821,832
Less Imputed Interest Income	<u>(62,806)</u>
Total Receivable	\$ 759,026
Investment in Sublease, Net of Current Portion	<u>\$ 429,724</u>

**12. NOTES RECEIVABLE – RELATED PARTY**

**FB Canada**

During the year ended March 31, 2022, FBH entered into a promissory note and related amendments with FB Canada, whereby FBH agreed to lend FB Canada \$5,639,500. The note bore interest at a rate of 8% per annum calculated on the principal outstanding. On November 30, 2022, the Company completed the acquisition of FB Canada (see Note 4, *Reserve Take-Over and Related Acquisitions*), and the balance of the promissory note was determined to be a pre-existing relationship and accordingly, was included in purchase consideration. As a result, as of March 31, 2023, the balance of the principal and accrued interest was \$nil (March 31, 2022 - \$5,950,630). During the year ended March 31, 2023, the Company accrued \$nil (year ended March 31, 2022 - \$311,130) in interest on the loan that is included in other income (expense) in the consolidated statements of loss.

**13. INVESTMENTS**

**GSW Creative Corporation dba dosist ("GSW")**

On March 15, 2021, FBH executed a stock purchase agreement with GSW to purchase 8,000,000 shares of its Series B-1 Preferred Stock at \$0.625 per share for a total consideration of \$5,000,000, representing 4% of the outstanding shares of GSW. GSW is a wellness company empowering people to naturally manage their health through dose-controlled cannabis therapy. The purchase closed in May 2021. In November 2021, FBH executed a licensing agreement with GSW which provides FBH the right to manage the manufacturing, sale and distribution of GSW's products in exchange for a sales-based royalty. At March 31, 2023 and 2022, management assessed the fair value of its investment in GSW as \$nil.

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The loss on the change in fair value of the investment of \$5,000,000 is included in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2022.

**Sherbinskis**

On August 5, 2021, FBH executed a stock purchase agreement with Elysian Group, Inc. (“Elysian”), which owns the trademarks for the brand Sherbinskis (“Sherbinskis”), whereby FBH agreed to purchase 17,400 shares of Elysian Common Stock, representing a 3.8% ownership interest, at a price of \$143.68 for an aggregate purchase price of \$2,500,000. In September 2021, FBH completed a cash payment of \$2,000,000 to Elysian and made other payments of \$48,819 related to the purchase. At March 31, 2023 and 2022, management assessed the fair value of its investment in Sherbinskis as \$nil. The loss on the change in fair value of the investment of \$2,048,819 is included in the consolidated statement of loss and comprehensive loss for the year ended March 31, 2022.

During the year ended March 31, 2023, the Company recorded discounts of \$130,190 related to customer manufacturing incentives, which are included in revenue in the consolidated statement of loss and comprehensive loss.

**14. ACCRUED EXPENSES**

As of March 31, 2023 and 2022, accrued expenses consisted of the following:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Goods Received/Not Invoiced	\$ -	\$ 4,492,514
Credit Card Payable	3,149	21,629
Accrued Salaries	517,825	577,148
Accrued Audit and Tax Fees	-	25,000
Accrued Interest Expense	1,032,300	16,405
Other	1,621,742	202,558
<b>Total Accrued Expenses</b>	<b>\$ 3,175,016</b>	<b>\$ 5,335,254</b>

**15. CREDIT FACILITIES**

**East West Bank (“EWB”)**

In February 2022, 14R entered into a credit agreement with EWB, whereby EWB will provide an Asset Based Lending Facility (the “ABL Facility”) in the amount of up to \$5,000,000 to fund the 14R’s working capital needs. The ABL Facility matures on January 5, 2024 and is secured by 14R’s inventory and accounts receivable. If at any time the aggregate principal amount of the ABL Facility exceeds the Borrowing Base (the lesser of \$5,000,000 and 80% of eligible accounts receivable), 14R is required to immediately repay, upon written or oral notice from EWB, an amount equal to the difference between the outstanding principal balance and the Borrowing Base. Interest on amounts drawn under the ABL Facility will be paid monthly at the Wall Street Journal Prime rate plus 2.50% per annum, subject to a minimum interest rate of 5.75% per annum. Principal payments shall be made based on borrowing base availability. The balance of the unpaid principal and any unpaid interest is due and payable on January 5, 2024. The ABL Facility contains certain covenants, including but not limited to a Minimum Fixed Charge Coverage Ratio of 1.50x to be tested on a quarterly basis. The Company is required to provide audited financial statements to EWB for its debt covenant requirements. As of November [X], 2023, the Company is not in compliance with its debt covenant compliance requirements due to the delay in providing the audited annual financial statements. However, the Company has received an extension from EWB. During the year ended March 31, 2023, 14R drew down \$1,531,203 on the credit facility, recorded \$375,151 in interest expense and repaid principal and interest of \$2,289,514. As of March 31, 2023, the

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principal balance of the lending facility was \$3,078,588 (March 31, 2022 - \$3,468,797). Interest accrued of \$23,453 at March 31, 2023 (March 31, 2022 - \$16,405) is included in accrued expenses in the statements of financial position.

**Short-Term Financing Facility**

In September 2022, the Company entered into a short-term financing facility with Fusion LLF, LLC (dba “Leaflink Financial”) and borrowed \$3,996,527. On November 28, 2022, the Company drew down an additional tranche of funding from Leaflink Financial in the principal amount of \$700,695. The additional tranche matured on February 21, 2023 and accrues interest at 2.0% per month. Thus, during the year ended March 31, 2023, the Company drew down a total of \$4,697,223 against the facility, incurred interest expense of \$426,067 and made repayments of principal and interest of \$[5,123,289]. As of March 31, 2023, the principal and accrued interest outstanding on the facility was \$nil and the principal amount along with accrued interest were repaid in cash during the year ended March 31, 2023.

**16. INCOME TAXES**

The income tax provision for the periods consists of the following:

<b>Current:</b>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Federal	\$ 2,247,610	\$ 229,355
State	998,783	-
Foreign	12,132	19,688
Total Current Tax Expense	<u>3,258,525</u>	<u>249,043</u>
<b>Deferred:</b>		
Federal	(2,320,288)	(1,394,443)
State	(544,544)	601,816
Total Deferred Tax Expense	<u>(2,864,832)</u>	<u>(792,627)</u>
Total Tax Provision	<u>\$ 393,693</u>	<u>\$ (543,584)</u>

A reconciliation of total income tax expense and the amount computed by applying the statutory income tax rate of 21% to loss before provision from income taxes is as follows:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Net income before tax	\$ (49,350,801)	\$ -
<b>Computed expected tax benefit</b>	<b>\$ (10,363,669)</b>	<b>\$ (4,104,890)</b>
Changes in Income Taxes Resulting From:		
State taxes (net of federal tax benefits):	454,239	(1,266,228)
Change in benefits not recognized	1,077,703	1,921,385
Foreign tax rate differential	(235,413)	17,230
Reverse-takeover transaction cost	3,798,107	-
Non-deductible 280E	2,476,494	2,795,020
Change in FV of instruments	1,150,331	207,147
Non-deductible professional fees	4,197,570	-
Impact of acquisition	(1,916,533)	-
Inversion income	(2,393,872)	-
RTP adjustments	1,456,215	(114,483)
Permanent difference and other	692,521	1,236
Total Income Tax (Recovery) Expense	<u>\$ 393,693</u>	<u>\$ (543,584)</u>

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The tax effects of temporary differences giving rise to deferred tax assets and deferred tax liabilities as of as of March 31, 2023 and 2022 are set out below:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<b>Deferred income tax assets:</b>		
Net Operating Losses	655,521	592,963
Accrued Expenses	-	30,975
Stock Based Compensation	345,769	414,828
Fixed assets and Intangibles	304,819	-
Investments	-	-
Reserves and Allowances	1,575,390	593,941
Leases	-	65,380
Other	(129,664)	-
Gross Deferred Tax Assets	<u>2,751,835</u>	<u>1,698,087</u>
<b>Deferred Tax Liabilities:</b>		
Depreciable asset basis differences	-	(1,623,253)
Convertible Debenture	-	-
Stock Based Compensation	-	-
Fixed assets and Intangibles	(525,857)	(544,544)
Leases	169,144	-
<b>Total Deferred Tax Liabilities</b>	<u>(356,713)</u>	<u>(2,167,797)</u>
<b>Net Deferred Tax Assets</b>	<u>2,395,122</u>	<u>(469,710)</u>

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

Pursuant to Section 382 of the Internal Revenue Code, utilization of net operating losses may be subject to annual limitations in the event of a change in ownership. There has been a change of ownership with respect to the acquisition of WCC. A formal study has not been completed, thus the historical net operating loss carryforwards might be subject to limitation. The Company has net operating loss carryforwards for California income tax purposes of approximately \$31,360,025 as of March 31, 2023. The state net operating loss carryforwards, if not utilized, will expire beginning in 2038.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company assesses the positive and negative evidence to determine if sufficient future taxable income will be generated to use its existing deferred tax assets. As of March 31, 2023 the Company has not recorded a deferred tax asset related to its US state net operating loss carryforwards of \$31.3 million, Canada net operating loss carryforwards of \$3.6 million and other foreign net operating loss carryforwards of \$1.1 million.

The Company files income tax returns in the US, various state jurisdictions, Canada, and other foreign jurisdictions, and is subject to examination of its income tax returns by tax authorities in these jurisdictions who may challenge any item on these returns.

## **17. HOLDBACK AND CONTINGENT LIABILITY**

On October 1, 2019, 14R obtained control of Uneka Concepts, Inc. (“Uneka”) through a management service agreement. Uneka is a successful, private company, the acquisition of which provided 14R with backward integration of a portion

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of its supply chain. Through the management service agreement, 14R had the power to control the relevant activities of Uneka, provides for exposure to variable returns and through its control, is able to use its power to affect the amount of returns to 14R. As a result of the control obtained, the assets and liabilities were consolidated into 14R's consolidated financial statements. The acquisition was accounted for in accordance with IFRS 3. The assets consisted primarily of the cash, accounts receivable, inventory, property and equipment, customer relationships, intellectual property and certain other assets. The liabilities assumed consisted of accounts payable and various accrued liabilities. Subsequently, on February 26, 2020, 14R acquired 100% ownership of Uneka through entering into an Agreement and Plan of Merger.

As consideration for the acquisition, 14R issued 50,813 shares of its common stock with a per share fair value of \$246, based on management's estimate of the fair value of 14R's stock, for an aggregate purchase price of \$12,499,998. In addition, 14R would pay \$500,000 in cash, subject to any holdbacks for indemnification, one year after closing (the "Holdback Payable"). The net present value of the Holdback Payable on formation and roll up was \$497,636. Additionally, 14R had a working capital adjustment based upon the final closing working capital of \$408,233. The resulting holdback liability (the "Holdback Liability") at the date of formation and roll up was \$89,402. During the six months ended September 30, 2021, the balance of the Holdback Liability of \$197,279 was paid. Additional consideration up to \$500,000 would be paid in cash on March 31, 2021 and March 31, 2022, contingent on gross profit milestones of \$5 million and \$6 million, respectively, being met. The net present fair value of the contingent consideration (the "Contingent Liability") was estimated at \$479,681 at the date of formation and roll up. As of March 31, 2023, the fair value of the Contingent Liability was \$nil (March 31, 2022 - \$499,623). During the year ended March 31, 2023, the Company made payments of \$318,500 against the liability (March 31, 2022 - \$440,000).

On November 30, 2022, FBHI obtained control of FB Canada (Note 4, *Reverse Take-over and Related Acquisitions*). Additional FBHI SV Shares are required to be issued by FBHI if FBHI issues shares at a valuation that is less than \$250,000,000 in connection with the listing of SV Shares or if FBHI is acquired prior to the listing of FBHI SV Shares at a valuation that is less than \$250,000,000. As of March 31, 2023, neither of these events had occurred and the fair value of the contingent consideration liability was \$549,808 (C\$744,000) (see Note 26, *Fair Value of Financial Instruments and Financial Risk Factors* for further details).

## 18. DEBT

	March 31, 2022	Additions	Payments	Interest	Acquired through Acquisition	Amortization	Change in Fair Value	FX	March 31, 2023
Related Party Loans	3,215,999	1,362,828	(3,328,827)	-	-	-	-	-	1,250,000
Credit Facility	3,468,797	6,228,426	(6,831,509)	212,874	-	-	-	-	3,078,588
Unsecured Convertible Notes	-	-	-	-	19,522,490	-	(728,268)	592,415	19,386,637
Promissory Note	-	1,115,677	-	-	-	-	-	(5,463)	1,110,214
Notes Payable	27,897,907	5,650,000	-	-	(33,890,298)	-	-	342,391	-
Secured Term Loan	-	4,000,000	-	-	17,972,245	123,080	-	-	22,095,325
<b>Total</b>	<b>34,582,703</b>	<b>18,356,931</b>	<b>(10,160,336)</b>	<b>212,874</b>	<b>3,604,437</b>	<b>123,080</b>	<b>(728,268)</b>	<b>929,343</b>	<b>46,920,764</b>

	March 31, 2021	Additions	Payments	Interest	Acquired through Acquisition	Amortization	Change in Fair Value	FX	March 31, 2022
Related Party Loans	1,278,921	1,930,000	(1,347)	8,425	-	-	-	-	3,215,999
Credit Facility	-	3,468,797	-	-	-	-	-	-	3,468,797
Notes Payable	-	26,648,388	-	1,249,519	-	-	-	-	27,897,907
<b>Total</b>	<b>1,278,921</b>	<b>32,047,185</b>	<b>(1,347)</b>	<b>1,257,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,582,703</b>

### FBHI Notes Payable

On May 10, 2021, Final Bell Corp (the California entity) entered into a convertible note agreement with the Company in the principal amount of \$6,250,000. The note bore interest at a rate of 7.00% per annum calculated on the principal outstanding. On May 24, 2021, July 29, 2021, October 13, 2021, November 22, 2021, September 6, 2022, October 14, 2022 and November 15, 2022, the Company subscribed for additional principal amounts of \$7,570,000, \$3,400,000, \$400,000, \$9,028,388, \$500,000, \$1,550,000 and \$3,600,000, respectively, under the same terms. The notes give the Company the right to convert the principal and interest outstanding into equity securities of Final Bell Corp at any time

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up to the maturity date at price of \$2,000,000 per equity security. In the event Final Bell Corp raises \$50 million (including through a series of financings) in equity securities, the conversion price will be adjusted to 80% of the price in that equity raise (or in the event it issues a series of equity raises, the weighted average price thereof). As a result of this provision, the conversion option does not have a fixed settlement amount and was designated a financial liability. The estimated fair value of the conversion option at inception and as at December 31, 2021, was immaterial and has not been recorded. The Company recognized interest expense related to these notes of \$1,551,415 for the year ended March 31, 2023 (year ended March 31, 2022 - \$1,249,519). On November 30, 2022, the Company completed the RTO with FBH under the terms of the FBH SEA (see Note 4, *Reverse Take-over and Related Acquisitions* for details) and the intercompany notes totaling \$33,890,298 were eliminated in consolidation. As a result, of March 31, 2023, the balance of the loan, including interest accrued, was \$nil (March 31, 2022 - \$27,897,907).

**Unsecured Convertible Notes**

Throughout calendar year 2021, the Company completed private placements of the Unsecured Convertible Notes in the aggregate principal amount of C\$22,770,000, primarily to further invest in and build the business operations of FBH and 14R. The Unsecured Convertible Notes were issued pursuant to the terms of a trust indenture with an institutional trustee (the "Indenture") dated May 6, 2021 and will mature on January 31, 2024 (the "Maturity Date"). The Unsecured Convertible Notes bear interest at 4% per annum from the date of issue and will be payable semi-annually in either cash or SV Shares, at the discretion of the Company. See Note 28, *Amendment to the Unsecured Convertible Notes*, for information relating to the conversion terms of the Unsecured Convertible Notes.

The Unsecured Convertible Notes are subordinated to the senior indebtedness of the Company but rank pari passu with other issues of Unsecured Convertible Notes and, subject to statutory preferred exceptions, with all other present and future unsecured indebtedness of the Company. As the conversion price of the Unsecured Convertible Notes was variable during the fiscal year ended March 31, 2023, the Company accounted for the notes as a hybrid financial instrument with separate debt and derivative liability components.

The balance as of March 31, 2023 was \$19,386,637 and a loss on change in fair value of the Unsecured Convertible Notes of \$728,268 was recognized for the year ended March 31, 2023 (see Note 26, *Fair Value of Financial Instruments and Financial Risk Factors*). The Company incurred interest expense of \$910,800 for the year ended March 31, 2023 and accrued \$77,356 of interest payable on the Unsecured Convertible Notes as of March 31, 2023.

**Secured Convertible Notes**

On November 17, 2021 the Company issued an aggregate amount of C\$13,000,000 of Secured Convertible Notes as part of a units private placement comprised of Secured Convertible Notes and Warrants between the Company and the Trustee. Interest was payable on such notes at a rate of 8% per annum and was payable on the maturity date. The maturity date for the Secured Convertible Notes was six months after closing being May 18, 2022. Most of the net proceeds from the issuance the Secured Convertible Notes were used by the Company to invest in and further develop the business of FBH. In connection with the issuance of the Secured Convertible Notes, the Company issued 13,000 contingent share purchase Warrants to the Trustee with an exercise price of C\$1.95. As the fair value of the Warrants is affected by the changes in the fair value of the underlying SV Shares, the Company accounted for the Warrants as a derivative liability.

On May 17, 2022, the Company entered into a first supplemental indenture to the trust indenture dated November 17, 2021, to extend the maturity date to August 17, 2022, increase the interest rate to 12.0%, permit additional indebtedness, among other adjustments to the original agreement. In consideration for the amendments and adjustments to the trust indenture, the Company paid an amendment fee to the note holders in the amount of C\$1,300,000 (being 10% of the outstanding aggregate principal amount of the Notes outstanding as of the Amendment Date).

On August 30, 2022, the Company fully repaid and retired the Secured Convertible Notes and entered into a supplement to the Warrant indenture governing the contingent share purchase warrants that were issued to the holders of the Secured Convertible Notes. As a result of the supplement, and upon completion of the RTO and other acquisitions, the exercise price for the contingent share purchase warrants was adjusted to C\$0.92 and the Warrants were released to the holders of the Secured Convertible Notes having a fair value of \$2,213,000 as of the RTO date (November 30, 2022) and

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included in the net assets acquired of FBHI. As of March 31, 2023, the fair value of the Warrants was determined to be \$2,286,000 resulting a loss on derivative financial instruments of \$82,925, inclusive of the effect of foreign exchange (see Note 26, *Fair Value of Financial Instruments and Financial Risk Factors*).

**Senior Secured Term Loan Facility**

On August 18, 2022, the Company entered into a loan agreement with Golden Iris International Limited, which provided for a senior secured term loan facility of up to \$25 million (the "Term Loan"). The proceeds of the Term Loan were used to repay the Secured Convertible Notes plus all accrued interest, costs and expenses related thereto, including the amendment fee, and are also available to finance growth initiatives, pay the cash portion of the purchase price pursuant to the FB Canada SPA, and provide for ongoing working capital requirements. The Term Loan has a maturity date of August 18, 2025 (the "GI Loan Maturity Date") and bears interest from and including each funding date at a rate of 12.0% per annum, the first half of which (6.0% per annum) is payable quarterly, and the second half of which (6.0% per annum) accrues quarterly and is due and payable on the GI Loan Maturity Date or earlier repayment in full of the Term Loan.

The Term Loan also provides for an incentive payment to the senior lender in an amount equal to the full amount of the Term Loan plus interest thereon, which was satisfied through the issuance of a share purchase warrant following funding and another share purchase warrant on equivalent terms following repayment of the Term Loan in respect of the second half of the interest rate accrued to such time.

At March 31, 2023, \$25,000,000 of the Term Loan had been fully funded across four funding tranches. The first three tranches (first tranche of \$13,000,000, funded on August 30, 2022, second tranche of \$4,000,000, funded on October 12, 2022, and the third tranche of \$4,000,000, funded on November 15, 2022) occurred prior to the RTO date and was included in the net assets acquired of FBHI on November 30, 2022. The fourth tranche of \$4,000,000 was funded post-RTO on January 25, 2023. Accordingly, accrued interest payable (the first half of the interest) on the Term Loan totaled \$356,055 for the year ended March 31, 2023. The same amounts for the respective time periods were accrued (the second half of the interest) and added to the balance of the Term Loan and are due at maturity. The Company is required to file its annual audited financial statements on SEDAR+ and provide the audited annual financial statements to Golden Iris for its debt covenant requirements. As of November [X], 2023, the Company is not in compliance with its debt covenant compliance requirements due to the delay in filing its audited annual financial statements. However, the Company has received an extension from Golden Iris.

Upon the full funding and closing of the Term Loan on January 25, 2023, the incentive payment for the term loan amount became due and payable to Golden Iris. On February 1, 2023, the Company issued one (1) warrant to Golden Iris exercisable into 28,089,888 SV Shares at an exercise price of \$0.89. The warrant expires on August 17, 2025. At inception, the warrant was classified and recorded as an equity instrument at its residual value of \$3,027,755 within the statements of changes in shareholders' equity. The balance of the secured term loan, net of discount of \$2,904,675, as at March 31, 2023 was \$22,095,325. Amortization of the debt discount totaled \$123,080 for the year ended March 31, 2023.

**Bridge Acquisition Loan**

In December 2022, the Company strengthened its balance sheet to opportunistically look at acquisitions in its operating territories and secured debt financing in the aggregate principal amount of \$1,250,000 from a group of strategic investors, which will be used to provide bridge and acquisition financing for potential targets in the operating territory. The Bridge Acquisition Loans bears interest at a rate of 9.00% per annum and matured on June 30, 2023. In consideration for the advance of the funding, the Company has agreed to issue the investors SV Shares. See Note 28, *Subsequent Events* for additional details. As of March 31, 2023, the balance of the Bridge Acquisition Loan was \$1,250,000 and interest of \$22,722 had accrued.

In March 2023, FBHI appointed Mr. Robert Meyer (Director of Angsana Investment Private Limited) to perform certain CEO services for the Company pursuant to the Management Service Agreement terms. Following this transaction, Angsana Investment Private Limited became a related party to FBHI through appointment of common control director

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Mr Meyer. Thus, out of the \$1,250,000 of debt, \$250,000 principal balance remains outstanding from a third party and included in accrued expenses on the consolidated statements of financial position and \$1,000,000 principal balance remains outstanding from related parties as of March 31, 2023 (see *Note 19 – Related Parties* for further information).

**Final Bell Canada Shareholder Promissory Note**

Upon closing of the RTO, and to effectuate the FB Canada acquisition (see Note 4), the Company issued (as part of the total consideration for the FB Canada acquisition) a promissory note to FB Canada shareholders in the aggregate amount of \$1,224,795 (C\$1,650,000) having a fair value of \$1,115,677 (C\$1,503,000) as of November 30, 2022. The promissory note does not bear interest and matures at the earlier of fifteen (15) months from issuance, or the completion of an equity capital raise by the Company for gross proceeds equal to or greater than C\$5,000,000. The balance as of March 31, 2023 was \$1,110,214, inclusive of the effect of foreign currency (March 31, 2022 - \$nil).

**19. SHAREHOLDERS' EQUITY**

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**Company Share Classes**

The Company is authorized to issue an unlimited number of SV Shares with no par value, an unlimited number of PV Shares with no par value (the PV Shares and the SV Shares together referred to as, the "Common Shares") and an unlimited number of Class C Preferred Shares.

*Voting rights*

SV Shares are entitled to notice of and to attend and vote at any meeting of the Shareholders, except a meeting at which only holders of another class or series of shares of the Company will have the right to vote. At each such meeting, holders of SV Shares will be entitled to one vote in respect of each SV Share held.

Holders of PV Shares will be entitled to notice of and to attend and vote at any meeting of the Shareholders, except a meeting of which only holders of another class or series of shares of the Company will have the right to vote. Subject to the terms set out in the articles of the Company, at each such meeting, holders of PV Shares will be entitled to 100 votes in respect of each PV Share, and each fraction of a PV Share shall entitle the holder to the number of votes calculated by multiplying the fraction by 100 and rounding the product down to the nearest whole number, at each such meeting.

*Dividends*

Holders of SV shares are entitled to receive dividends, if any, as and when declared by the Board at its discretion. The directors may declare a stock dividend payable in PV Shares on the SV Shares, but only if the directors simultaneously declare a stock dividend payable in PV Shares on the PV Shares, in a number of shares per PV Share equal to the number of PV Shares declared as a dividend per SV Share, multiplied by 100.

*Liquidation rights*

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company to its shareholders for the purposes of winding up its affairs, the holders of the SV Shares shall be entitled to participate *pari passu* with the holders of PV Shares, with the amount of such distribution per SV Share equal to the amount of such distribution per PV Share divided by 100.

The holders of the PV Shares shall be entitled to participate *pari passu* with the holders of SV Shares, with the amount of such distribution per PV Share equal to the amount of such distribution per SV Share multiplied by 100.

**Shares Issued and Outstanding**

**SV Shares and PV Shares**



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The Company has two classes of equity shares, SV Shares and PV Shares. Both these classes are considered as ordinary shares and are treated equivalently for the purpose of accounting. Total ordinary shares of FBHI would be the sum of SV Shares and PV shares mandatorily convertible into SV shares by multiplying the number of PV Shares by 100. Thus, total common shares outstanding as of March 31, 2023 is 272,838,342.

(i) Shares issued for reverse take over

Upon completion of the RTO on November 30, 2022 the shareholders of FBH received 1,732,590 PV Shares in exchange for 2,495,072 FBH shares on a 1:0.696 basis.

(ii) Shares issued for Final Bell Canada acquisition

Upon completion of the FB Canada acquisition on November 30, 2022 the sellers of FB Canada received 4,453,609 SV Shares.

(iii) Shares issued for 14R minority interest acquisition

During the year, FBHI completed the acquisition of the remaining 44% of 14R's outstanding shares not held by FBH pursuant to 14R Merger Agreement whereby the remaining shareholders of 14R received 639,986 PV Shares of the Company.

The changes in the number of issued and outstanding shares for the periods is as follows:

	<u>Class A</u> <u>Subordinate</u> <u>Voting Shares</u>	<u>Class B</u> <u>Proportionate</u> <u>Voting Shares</u>
<b>Balance, March 31, 2022 and 2021 (as previously reported)</b>	-	2,495,072
Retroactive application of reverse recapitalization	14,469,531	(2,495,072)
<b>Balance, March 31, 2022 and 2021 (adjusted)</b>	<b>14,469,531</b>	-
Shares Issued on Reverse Take-Over of FBHI	-	1,732,590
Acquisition of Final Bell Canada	4,453,609	-
Acquisition of 14th Round Minority Interest	-	639,986
Advisor Shares Issued	-	3,374
Compensation Share Issuable in Lieu of Interest	273,728	-
Compensation Shares Issued on Closing of Acquisitions	16,046,474	-
<b>Balance, March 31, 2023</b>	<b>35,243,342</b>	<b>2,375,950</b>

**14R Series A Preferred Stock**

14R was authorized to issue up to 84,389 preferred shares with \$0.01 par value per share.

On September 18, 2019, 14R closed on a Series A brokered financing (the "Second Offering") for 50,211 preferred shares, at a price of \$237 per share, for gross proceeds of \$11,900,007. On December 6, 2019, 14R closed an additional tranche to the Second Offering and issued 3,164 preferred shares, at a price of \$237 per share (the "Original Issue Price"), for gross proceeds of \$749,868. The Series A preferred stock is a class of voting preferred stock with certain anti-dilution rights and protective provisions. The holders of Series A preferred stock are entitled to receive dividends at a rate of 6% per annum.

Such dividend is payable only when, as, and if declared by the board of directors of 14R and is non-cumulative. On February 12, 2021, 14R filed an Amended and Restated Certificate of Incorporation changing the conversion ratio for Series A preferred stock to common stock from a 1:1 ratio to a ratio equal to 1:1.354286 calculated by taking the Original

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Issue Price of \$237 divided by the Series A Conversion Price of \$175 (the “Conversion Ratio”) and also made changes to the mandatory conversion price and threshold for such underwritten public offering as outlined in the conversion rights listed below.

Each share of Series A preferred is convertible, without payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable common stock as determined by the Conversion Ratio. The rights terminate in the event of liquidation, dissolution or winding up of 14R. The Series A preferred stockholders also have an anti-dilution protection that in the event of a merger or reorganization where additional shares of common stock are issued by 14R, the holders of Series A preferred stock are entitled to anti-dilution protection and the Series A Conversion Price would be adjusted, such that any value of common stock that is less than the Series A Conversion Price would result in an increase to the Conversion Ratio in favor of the holders of Series A preferred stock. As a result of this provision, the conversion option does not have a fixed settlement amount and the Series A preferred stock was designated a financial liability (see Note 26).

**Share – Based Compensation**

Prior to completion of the RTO, 14R administered a plan (the “14R Stock Plan”) providing for the grant of options, warrants, restricted stock units (“RSUs”) or common stock in exchange for services. 14R recognized compensation expense for stock option, warrant and RSU awards over the applicable service period of the award. The service period is generally the vesting period. Following the RTO, the 14R options shall now be governed by FBHI and subject to the terms of the original grant agreements based on the existing terms and conditions of the stock options granted by 14R.

There were no equity settled share-based payments granted during the year ended March 31, 2023. The weighted average inputs used in the measurement of the grant date fair values of equity-settled share-based payments granted during the year ended March 31, 2023 were as follows:

	<b>Year ended</b>
	<b><u>March 31, 2023</u></b>
Fair Value at Grant Date	\$ 33.03
Share Price at Grant Date	\$ 73.24
Exercise Price	\$ 86.04
Expected Volatility	142.14%
Expected Life	2.56
Divident Yield	0%
Risk-free Interest Rate	0.59%

14R Options no longer represent an entitlement of the holder to acquire shares of 14R and will only represent the right to acquire FBHI PV Shares. Upon the closing date of November 30, 2022, all equity grants issued by 14R became exercisable into PV Shares of FBHI.

As a result of this transaction, FBHI granted replacement equity options for unexercised 14R equity instruments. Accordingly, following the IFRS 2 guidance, 14R performed pre- and post-modification valuations to determine the fair value for the original awards and the fair value of modified awards on the date of modification. As a result of the valuations performed, it was determined that the value of the options declined post-modification and accordingly, no additional compensation was recorded.

For post modification value determination, the following inputs were used.

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	<u>Year ended</u> <u>March 31, 2023</u>
Fair Value at Grant Date	\$ 33.03
Share Price at Grant Date	\$ 73.24
Exercise Price	\$ 0.73
Expected Volatility	55.40%
Expected Life	1.75
Divident Yield	0%
Risk-free Interest Rate	4.40%

The share-based payments recorded on the consolidated statements of loss and comprehensive loss are presented in the table below:

**Share Based Payments**

	<u>Twelve months ended</u> <u>March 31, 2023</u>	<u>Twelve months ended</u> <u>March 31, 2022</u>
Restricted Share Units	\$ -	\$ 3,275
Warrants	\$ -	108,926
Common Shares	180,758	(52,725)
Options	-	774,449
	<u>\$ 180,758</u>	<u>\$ 833,925</u>

The continuity of share-based payments reserve activity for the year ended March 31, 2023 and the year ended March 31, 2022 was as follows:

	<u>Year ended</u> <u>March 31, 2023</u>	<u>Year ended</u> <u>March 31, 2022</u>
<b>Balance, beginning of period</b>	\$ -	\$ -
Amortization of fair value of warrants	-	108,926
Amortization of fair value of common stock	94,121	(52,725)
Grant of options	3,027,755	774,449
Options cancelled	(198,973)	-
Warrants cancelled	(368,517)	-
Exercise of warrants	-	(16,840)
Reclass to Non-Controlling Interest upon Rollup	-	(813,810)
Acquisition of minority interest	1,802,214	-
<b>Balance, end of period</b>	<u>\$ 4,356,600</u>	<u>\$ -</u>

*Restricted Stock Units*

During prior years, 14R granted restricted share units in exchange for services provided. 14R issued 6,500 RSUs in advance for future services that vested on July 1, 2020. 14R also has 7,230 restricted share units outstanding that vest at a rate of 1/6<sup>th</sup> every six months beginning in December 2018, with each vesting tranche considered a separate award.

As the restricted share units were issued in advance, 14R recorded prepayments of these shares in the amount of \$513,435 which was the grant date fair value of the shares based on the price of the most recent private placement. The grant date fair value was amortized over the vesting period. For the year ended March 31, 2023, \$nil (year ended March 31, 2022 – \$3,275), respectively related to this amortization was recognized as share-based payments expense in the consolidated statements of loss and comprehensive loss. As of March 31, 2023, 13,730 (March 31, 2022 – 13,730) restricted share units were issued and outstanding, all of which were vested.

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The RTO transaction did not have an impact on the stock-based compensation expenses as all the RSUs were fully vested before the closing date. FBHI issued replacement awards for outstanding 14R vested RSUs.

*Vesting Stock*

On July 1, 2020, 14R granted 2,777 common shares of 14R under the terms of a board of advisor's agreement (the "Advisors Agreement"). The Advisors Agreement was subsequently amended on February 1, 2021, May 24, 2021, December 30, 2021 and February 11, 2022. The estimated fair value of the common shares on the date of grant of \$180 per common share was based on the consideration value in the Advisors Agreement.

Post RTO, the vesting of 1,111 awards issued by 14R accelerated as a result of change in control of 14R and 1,776 FBHI PV shares vested within 45 days after the RTO date – i.e. January 15, 2023. Thus, FBHI recorded an additional compensation expense of the compensation expense for 1,776 vested shares of \$16,634. The remaining compensation expense of \$54,145 will be recorded by FBHI on June 30, 2023 when the 2,662 (1,666 14R awards) FBHI PV shares will vest.

The grant date fair value of the common shares of \$499,860 is amortized over the vesting period. During the year ended March 31, 2023, the Company recorded an expense of \$180,758 (year ended March 31, 2022 – recovery of \$52,725), related to this amortization included in share-based payments expense in the consolidated statements of loss and comprehensive loss.

*Stock Options*

The following table summarizes the option activity for the periods:

	<b>Number of Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Life</b>
<b>Options Exercisable as of March 31, 2021</b>	-	\$ -	-
Options Granted	17,223	73	2.42
<b>Options Exercisable as of March 31, 2022</b>	17,223	\$ 73	2.42
Options Cancelled	(2,100)	73	1.92
<b>Options Exercisable as of November 30, 2022</b>	15,123	\$ 73	1.92
Post RTO, Exercisable into FBHI PV Shares	24,501	0.73	1.75
Options Cancelled	(3,767)	0.73	1.75
<b>Options Exercisable as of March 31, 2023</b>	20,734	0.73	1.75

During the year ended March 31, 2022, 14R granted 17,223 options with an exercise price of \$73.24 to employees and consultants of 14R that vested upon grant. The weighted average grant date fair value of the options was estimated using the Black Scholes option pricing model with the following weighted average assumptions: a market price of \$73.24, based on a third-party valuation of 14R's shares, expected dividend yield of 0%, expected volatility of 172.5%, based on the historic volatility of comparable companies, weighted average risk-free interest rate of 0.42% and a weighted average expected life of 3 years. The weighted average grant-date fair value of the options was \$774,449.

During the year ended March 31, 2023, 2,100 14R options and 3,767 FBHI options with exercise prices of \$73.24, and \$0.73 expired, unexercised. As of March 31, 2023, the Company had the following options outstanding:

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Date of expiry	Options outstanding	Options exercisable	Weighted average Exercise price	Grant date fair value vested	Weighted average remaining life (in years)
August 31, 2024	20,734	20,734	\$ 0.73	\$ 575,475	1.42

All the options were vested on the date of grant and no further grants were issued. As a result of RTO, management obtained a valuation report to determine the pre and post modification valuation, it was determined that the value of the options declined post-modification and accordingly, no additional compensation was recorded.

### Warrants

Warrant transactions for years ended March 31, 2023 and 2022 were as follows:

	Year ended March 31, 2023		Year ended March 31, 2022	
	Number of warrants	Weighted-Average Exercise Price Per Share	Number of warrants	Weighted-Average Exercise Price Per Share
<b>Balance, beginning of period</b>	23,289	\$ 80	22,180	\$ 63
Warrants Granted	-	-	2,109	237
Warrants Exercised	-	-	(1,000)	30
Warrants Cancelled	(15,180)	59	-	-
<b>Balance, end of period</b>	<b>8,109</b>	<b>\$ 119</b>	<b>23,289</b>	<b>80</b>
<b>Post RTO, exercisable into FBHI Warrants</b>	<b>12,887</b>			

During the year ended March 31, 2022, 1,000 warrants were exercised for gross proceeds of \$30,000.

On January 14, 2022, 14R granted 2,109 warrants to EWB with an initial exercise price of \$237 per common share. These warrants will expire on January 14, 2027. The warrants carry a conversion right which allows the holder to exercise the warrants into that number of shares as determined by dividing the fair market value of the common shares issuable upon exercise less the aggregate exercise value by the fair market value of one common share. The fair market value will be either (a) the closing price of the common shares on the business day immediately preceding the date the holder delivers a notice of exercise to 14<sup>th</sup> Round, if the common shares are traded in a public market or (b) if the shares are not traded in a public market, a market price as determined by the board of directors of 14<sup>th</sup> Round. Since the number of shares to be issued on the exercise of the warrants is not fixed, the warrants have been classified as a derivative financial instrument in the consolidated statements of financial position. The grant-date fair value of the warrants was \$74,916. As on March 31, 2023, the fair value of EWB warrants was \$99,482 with change in fair value of \$24,566 recorded as expense in the consolidated statements of loss and comprehensive loss. See Note 26, *Fair Value of Financial Instruments and Financial Risk Factors* for additional details.

On February 11, 2022, 14R extended the expiry dates of certain warrants already issued such that 6,000 warrants expiring on June 30, 2022, would expire on June 30, 2023. The weighted average incremental fair value of the warrants was estimated using the Black Scholes option pricing model, calculated immediately before and after the extension, with the following weighted average assumptions: a market price of \$73.24, based on a third-party valuation of 14<sup>th</sup> Round's shares, expected dividend yield of 0%, expected volatility of 96.35%, based on the historic volatility of comparable companies, weighted average risk-free interest rate of 1.07% and a weighted average expected life of 1.4 years. The fair value of the warrant extension was \$67,710.

Following the RTO closing on November 30, 2022, the 14R warrants shall continue to be governed by FBHI, exchanged using the merger ratio and subject to the terms of the original warrants agreements based on the existing terms and conditions of the warrants granted by 14R. It was observed that the fair value of post modification replacement warrants are less than fair value of pre modification original warrants, thus no accounting implication will be there as a result of this modification.

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During the year ended March 31, 2023, 15,180 of 14R warrants with weighted average exercise prices of \$59, were cancelled.

As of March 31, 2023, FBHI had warrants outstanding as follows:

Date of expiry	Warrants outstanding	Warrants exercisable	Weighted average Exercise price	Grant date fair value vested	Weighted average remaining life (in years)
June 30, 2023	9,470	9,470	\$ 0.49	\$ 219,745	0.25
January 14, 2027	3,417	3,417	\$ 2.37	74,916	3.79
	12,887	12,887	\$ 1.19	\$ 294,661	1.19

*Gallant Investment Partners Limited*

On May 19, 2022, FBHI entered into an Advisory Services Agreement with Gallant, which was amended and restated on September 30, 2022, and engaged the advisor to provide certain consulting and advisory services related to the Company's strategic growth initiatives. With respect to the compensation fees, the advisor and the Company entered into an Option Award Agreement dated November 29, 2022, wherein Company granted the advisor an option to acquire 13,046,474 SV Shares of the Company in connection with the closing of the RTO. As a result of the closing of the RTO and other acquisitions on November 30, 2022, such options became exercisable at a de minimis exercise price, and the advisor exercised the options and received 13,046,474 SV Shares valued at \$10,459,149 (based on the number of SV Shares at the fair value per share on the RTO date), which resulted in compensation cost of \$10,419,316 (net of foreign exchange translation adjustment of \$39,833). These compensation costs are recorded as professional fees within general and administrative expenses for the year ended March 31, 2023.

*Shares issued with respect to debt restructuring arrangement with Angsana*

During the year ended March 31, 2023, the Company entered into debt restructuring agreement with Angsana Investment Private Limited pursuant to which FBHI issued 3,000,000 SV Shares to Angsana as a compensation for restructured terms with valuing compensation cost of \$2,672,280, which is included in finance cost for the year ended March 31, 2023.

**20. NON-CONTROLLING INTEREST**

As part of the Final Bell Roll-Up Transaction on December 27, 2020, the assets and liabilities of a combined group of companies were transferred into FBH, resulting in FBH owning 56% of 14R and 89% of DB Innovations as of March 31, 2022 with the remaining 44% and 11%, respectively, retained by the other owners of the contributed entities. On November 30, 2022, as part of the FBH SEA, FBHI acquired the remaining 44% of 14R. As a result, the Company owns 100% of 14R and 89% of DB Innovations as of March 31, 2023.

On January 1, 2021, FBH entered into a stock purchase agreement ("SPA") with Westside 1237, Inc. ("Seller") whereby FBH would purchase all shares the Seller owned in WCC, totaling 813 shares or 81.3% of the total ownership stake. In May 2021, FBH paid an initial \$2,000,000 for 220 shares or 22% of WCC equity and on November 30, 2021, paid \$5,400,000 for an additional 593 shares or 59.3% of WCC, resulting in the Company owning 81.3% of WCC with 18.7% retained by the other owners of WCC.

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The following summarizes the changes in non-controlling interest for the years ended March 31, 2023 and 2022:

	Total
Balance, March 31, 2021	\$ 4,678,731
Share of Assets Acquired from Non-Controlling Interest	(178,692)
Amortization of Discount on Note Receivable - Related Party	13,116
Share Based Compensation	830,650
Warrant exercise	30,000
Acquisition of WCC	1,702,091
Share of loss for the year	(3,025,904)
<b>Balance, March 31, 2022</b>	<b>\$ 4,049,992</b>
Share Based Compensation	164,123
Option cancellation	(94,427)
Warrant cancellation	(368,517)
Share of loss for the period	(756,650)
Share of Assets Acquired from Non-Controlling Interest	(2,085,790)
<b>Balance, March 31, 2023</b>	<b>\$ 908,731</b>

The following table summarizes the information relating to non-controlling interest ("NCI"), before any intra-company eliminations for the year ended March 31, 2023

Current assets	\$ 57,408
Non-current assets	12,184,519
Liabilities - Current and Non-Current	(6,073,598)
<b>Net Assets</b>	<b>6,168,329</b>
<b>Carrying amount of NCI</b>	<b>\$ 908,731</b>
Loss for the period	\$ 3,925,377
Loss allocated to NCI	756,650

## 21. REVENUE RECOGNITION

The Company generates revenue from the transfer of goods and services at a point-in-time from the revenue streams below:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Hardware & Packaging	\$ 46,660,502	\$ 58,499,292
Master Manufacturing	24,427,299	17,555,646
<b>Revenue from External Customers</b>	<b>\$ 71,087,801</b>	<b>\$ 76,054,938</b>

The Company's deferred revenue primarily relates to deposits received from customers that are used to start production. Deferred revenue is typically recognized as revenue within 8-12 weeks once the product is delivered. The following summarizes the changes in deferred revenue for the years ended March 31, 2023 and 2022:

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	March 31, 2023	March 31, 2022
Beginning deferred revenue balance	\$ 2,388,386	\$ 2,986,604
Revenue recognised that was included in the contract liability balance at the beginning of the period	(2,388,386)	(2,986,604)
Deferred revenue recognized from acquisitions	349,561	-
Deferred revenue recognized in the current period	1,098,522	2,388,386
Ending deferred revenue balance	<u>\$ 1,448,083</u>	<u>\$ 2,388,386</u>

**22. GENERAL AND ADMINISTRATIVE EXPENSES**

For the years ended March 31, 2023 and 2022, general and administrative expenses comprised:

	For the year ended March 31, 2023		For the year ended March 31, 2022	
Salaries and Benefits	\$ 11,685,825	37.25%	\$ 7,714,932	46.64%
Consulting and Management Fees	1,342,883	4.28%	1,537,101	9.29%
Professional Fees	12,317,107	39.27%	2,112,990	12.78%
Office Expenses	5,008,269	15.97%	4,440,187	26.85%
Advertising and Marketing	604,890	1.93%	283,277	1.71%
Meals and Entertainment	68,980	0.22%	58,256	0.35%
Travel	341,098	1.09%	393,292	2.38%
<b>Total</b>	<u>\$ 31,369,052</u>	<u>100.00%</u>	<u>\$ 16,540,035</u>	<u>100.00%</u>

Certain costs related to a variety of transactions including the RTO, acquisition of FB Canada and debt financings were expensed as incurred and included in professional fees during the years ended March 31, 2023 and 2022, since such costs were not readily identifiable to the specific transactions.

**23. EARNINGS PER SHARE**

The calculation of basic EPS has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. SV Shares and PV Shares are considered ordinary shares to be included in the denominator of EPS. PV Shares have been converted into SV Shares in accordance with its liquidation rights in ratio of 100:1 to compute basic EPS for one class of ordinary shares. As the legal subsidiary is the accounting acquirer, the number of shares to use in the earnings per share calculations for the period before the RTO is based on the weighted average number of outstanding shares of the accounting acquirer before the RTO adjusted to reflect the exchange ratio applied in the reverse acquisition.

	March 31, 2023	March 31, 2022
Loss for the year, attributable to the ordinary shareholders	(49,737,460)	(19,490,784)
Weighted-average number of ordinary shares	90,883,934	1,501,200
<b>Basic loss per share</b>	<u>\$ (0.55)</u>	<u>\$ (12.98)</u>

Basic and diluted EPS are equal as the Company incurred operating losses for both comparative periods presented.



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**24. COMMITMENTS AND CONTINGENCIES**

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**Local and State Regulations**

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in compliance with applicable local and state regulation as of March 31, 2023, regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

**Litigation**

From time to time, the Company may be involved in litigation related to claims arising out of operations in the normal course of business. As of March 31, 2023, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has material interest adverse to the Company's interest.

**Paycheck Protection Program Loans**

At formation and rollup, 14<sup>th</sup> Round had a loan from First Republic Bank in the amount of \$534,000 dated April 20, 2020 and received an additional loan from First Republic in the amount of \$726,314 dated January 31, 2021. Both loans were received under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The loans may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loans bear interest at a rate of 1% and are payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the respective note. The loans may be repaid at any time with no prepayment penalty. On April 7, 2021 and November 24, 2021, \$534,000 and \$726,314, respectively, of loans received under the Payroll Protection Program were forgiven. The resulting gain on forgiveness of debt of \$1,260,314 was netted against general and administrative expenses in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2022.

**Promissory Notes**

*Tom Fornarelli*

On March 1, 2023, the Company and Tom Fornarelli (Borrower) being a co-founder and head of innovation at Final Bell Holdings entered into a loan agreement whereas the Borrower has requested that the Company to provide the loan and Company has agreed. The principal sum of the loan is \$600,000 as bridge loan and maturity date as per agreement is March 31, 2024. The principal sum shall be funded on a monthly basis on the due date of each payment due under the mortgage and shall be paid by the Company directly to the mortgagee, pursuant to payment instructions provided by the borrower.

*Jeremy Green*

On March 1, 2023, the Company and Jeremy Green (Borrower) (CEO of 14R subsidiary and FBHI shareholder) entered into a loan agreement whereas the Borrower requested that the Company to provide the loan and Company has agreed. The principal sum of the loan is \$400,000 as bridge loan and maturity date as per agreement is March 31, 2024. The principal sum shall be funded on a monthly basis on the due date of each payment due under the mortgage and shall be paid by the Company directly to the mortgagee, pursuant to payment instructions provided by the borrower.

**25. RELATED PARTIES**

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**Product Sales**

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In the normal course of business, the Company regularly has product sales to customers that are affiliated through common ownership. During the year ended March 31, 2023, the Company had sales to related parties of \$1,560,794 (year ended March 31, 2022 - \$1,548,048) and as of March 31, 2023, is owed trade receivables from related parties in the amount of \$358,017 (March 31, 2022 - \$170,212) that are included in accounts receivable in the consolidated statements of financial position.

**Key Management Compensation**

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and other members of key management personnel were as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
Directors & officer compensation	\$ 3,589,603	\$ 2,158,210
Share-based Payments	-	388,994
<b>Total Key Management Compensation</b>	<b>\$ 3,589,603</b>	<b>\$ 2,547,204</b>

During the year ended March 31, 2022, 14R granted 8,300 options to directors and officers of 14R with an estimated grant date fair value of \$383,374 (see Note 16). No options were granted during the year ended March 31, 2023.

On March 9, 2023, the Company entered into a Management Service Agreement (MSA) with Angsana and agrees to appoint Mr. Robert Meyer (“Advisor”) as chief executive officer of the Company, replacing the existing chief executive officer, effective April 1, 2023. The Advisor is engaged to provide certain management, consulting, and capital markets advisory services. As compensation for the services, the Company issued stock options to Mr. Meyer to acquire 8,807,624 SV Shares with service and certain non-market performance conditions. It was determined that the grant date for this transaction is April 01, 2023. The share-based compensation cost will be recognized over the vesting period of 1.5 years from the date that Mr. Meyer’s employment is effective and the Company started to obtain benefit from those services rendered. No options were granted during the year ended March 31, 2023.

**Prepaid Sales-Based Royalty Fees**

During the year ended March 31, 2023, the Company pre-paid sales-based royalty fees of \$1,475,000 (March 31, 2022 - \$nil) to GSW associated with the licensing agreement discussed in Note 13, *Investments*. Amounts are recorded within prepaid expenses in the consolidated statements of financial position. The Director and Chairman of the Company’s Board of Directors is the Executive Chairman, CEO, and co-founder of GSW.

**Notes Payable**

During the year ended March 31, 2023, the Company received \$117,349 and repaid \$116,084 from Avanzato Technology Corp (“ATC”) and received an additional \$2,080 from GEV Consultants, LLC (“GEV”). During the year ended March 31, 2022, the Company repaid \$1,347 to ATC and received an additional \$430,000 from GEV.

As of March 31, 2023, outstanding balances of note payables to GEV and ATC are both \$nil (March 31, 2022 - \$678,524 and \$1,029,050). The principal balance of \$1,955,000 was assigned to a director of the Company through a promissory note and subsequently repaid in full on January 25, 2023.

On September 7, 2021, the Company entered into a promissory note with PrimeTime Raley LLC (“PrimeTime”), a company with a common director, in the principal amount of \$1,500,000. The interest rate on the promissory note is 1%. The principal balance, and all accrued interest, would be due and payable in full on March 1, 2022 (“Maturity Date”). On March 1, 2022, the Maturity date on the promissory note with PrimeTime was extended to August 31, 2022. The promissory note may be prepaid in whole or part, without penalty, at any time or from time to time. By March 31,

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2023, the Company repaid the note in full and the balance of the loan, including interest accrued, was \$nil at March 31, 2023 (March 31, 2022 - \$1,508,425).

In January 2021, FBHI entered into an arrangement with Dexchange Financial Corp. for consulting and advisory services on different general issues concerning the Company for compensation to be paid of \$250,000, recorded within related party loans within the consolidated statements of financial position as of March 31, 2023. A director of the Company is the President and Founder of Dexchange Financial Corp.

*Angsana Investment Private Limited and Jason DeLand*

From December 2022 to March 2023, the Company secured debt financing in the aggregate principal amount of \$900,000 from Angsana (entity wholly owned by Mr. Meyer) and \$100,000 from Jason DeLand (Director and Chairman of the Company's Board of Directors), which will be used to provide bridge and acquisition financing. The Bridge Acquisition Loan bears interest at a rate of 9.00% per annum and matures on June 30, 2023. In consideration for the advance of the funding, the Company has agreed to issue the investors warrants to acquire SV Shares of the Company upon closing. As of March 31, 2023, the balance of the Bridge Acquisition Loan with Angsana was \$900,000 and interest of \$16,373 had accrued. The remaining balance outstanding with Jason DeLand is \$100,000 and interest of \$2,614 had accrued.

On March 09, 2023, FBHI entered into a Debt Restructuring Agreement with Angsana with respect to the \$900,000 outstanding Bridge Loan resulting in the following:

- a. The maturity date of these Bridge Loans was extended from June 30, 2023, to September 30, 2023
- b. The warrants issued by the Company to acquire SV Shares were cancelled as part of this restructuring.
- c. In consideration for extension of the loan, Company issued 3,000,000 SV Shares to Angsana. The Company has accounted for the restructuring agreement as a loan extinguishment and recognized \$2,672,280 as loss on extinguishment of debt for the year ended March 31, 2023.
- d. The restructuring agreement added another extension clause which states that if any portion of the Loan and any amounts owing remains outstanding as of September 30, 2023, the maturity date of the will be further extended to March 31, 2024, in consideration for which Angsana will receive an additional 2,817,750 SV Shares. (Please refer *Note 28 – Subsequent Events* for further information)

*Summary*

As of March 31, 2023, outstanding balances of related party loans to the Company total \$1,250,000 (March 31, 2022 – \$3,215,999).

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**

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**Classification and Measurement of Financial Instruments**

The Company's financial instruments consist of cash, trade accounts receivable, accounts payable, accrued expenses, Unsecured Convertible Notes, Series A preferred stock liability, derivative financial instruments, and contingent liability. The Company classified and measured its accounts receivable as subsequently measured at amortized cost. The accounts payable and accrued expenses are classified and measured at amortized cost. The Series A preferred stock liability, derivative financial instruments, Unsecured Convertible Notes, and contingent liability are classified and measured at FVTPL in accordance with IFRS 9.

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 primarily include interest rate risk, price risk, credit risk and liquidity risk.

*Fair value*

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Where material, these risks are reviewed and monitored by the Board of Directors who actively focus on securing the Company's cash flows by minimizing the exposure to volatile financial instrument risks.

The three levels of the fair value hierarchy with respect to required disclosures about the inputs to fair value measurements 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.

There were no transfers into or out of the fair value levels for the year ended March 31, 2023 or the year ended March 31, 2022 and all financial liabilities are measured using level 3 inputs in the fair value hierarchy.

*Contingent Liability*

As of March 31, 2023, the contingent liability of \$511,380 (March 31, 2022 - \$499,623) (see Note 17, *Holdback and Contingent Liability*) is designated as a financial liability measured at fair value through profit and loss from the initial recognition date in accordance with IFRS 9. As discussed in Note 17, *Holdback and Contingent Liability*, the Holdback Liability was settled prior to March 31, 2023, resulting in a gain on the change in fair value of the contingent consideration of \$181,123 during the year ended March 31, 2023 (year ended March 31, 2022 – losses of \$18,148) recorded in the consolidated statements of loss and comprehensive loss.

As of March 31, 2023, the fair value of the contingent liability related the FB Canada acquisition (Note 4, *Reverse Take-Over and Related Acquisitions*) was valued at \$549,808 (C\$744,000) using the Black-Scholes-Merton model, further adjusted for counterparty credit risk, with the following assumptions:

Equity Volatility	52.4%
Risk-free rate	4.28%
Risk-adjusted discount rate	18.0%
Term to exit (years)	1.00

The gain on the change of fair value of contingent consideration for the year ended March 31, 2023 was \$211,441 (March 31, 2022 – loss of \$18,148) and is included in the consolidated statements of loss and comprehensive loss.

*Series A Preferred Stock Liability*

As part of the 14R acquisition, the preferred ownership interest of 53,375 shares of Series A preferred stock in 14R were to exchange for an aggregate 140,844 Class C Series A preferred shares and 18,325 PV shares in the capital of FBHI. As of March 31, 2023, the Series A preferred stock was valued at \$16,700,000 using the OPM Backsolve (March 31, 2022 – \$11,150,038). Under the OPM Backsolve method, the Series A preferred stock was valued using the significant assumptions regarding expected volatility of 45.4%, weighted average risk-free interest rate of 4.35%, and expected life of 1.5 years.

The loss on the change in the fair value of the preferred stock liability for the year ended March 31, 2023 was \$5,549,962 (March 31, 2022 – loss of \$859,338) and is included in the consolidated statements of loss and comprehensive loss.

*Derivative Financial Instruments*

As of March 31, 2023, the fair value of the Company's derivative financial instruments was \$2,385,482 (March 31, 2022 – \$74,916). The derivative financial instruments relate to the warrants issued with the Secured Convertible Notes (see Note 18, *Debt*) and the warrants issued to EWB (see Note 19, *Shareholders' Equity*).

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The fair value of the Secured Convertible Notes warrants were valued using the OPM Backsolve method. Under the OPM Backsolve method, the warrants were valued using the significant assumptions regarding expected volatility of 53.4%, weighted average risk-free interest rate of 4.4%, and expected life of 1.5 years.

The fair value of the EWB warrants were valued using the OPM Backsolve method, with the following weighted average assumptions: a market price of \$73.24, based on a third-party valuation of 14R's shares, expected dividend yield of 0%, expected volatility of 88.53%, based on the historic volatility of comparable companies, weighted average risk-free interest rate of 1.55% and a weighted average expected life of 5 years.

The loss on change in the fair value of the derivative liabilities for the year ended March 31, 2023 was \$82,925 (March 31, 2022 – \$nil) and is included in the consolidated statements of loss and comprehensive loss.

*Unsecured Convertible Notes*

As of March 31, 2023, the fair value of the Company's Unsecured Convertible Notes was \$19,386,637 as of March 31, 2023 (March 31, 2022 - \$nil) (see Note 18, *Debt*). The fair value of the Unsecured Convertible Notes was estimated using the significant assumptions regarding the probability of a maturity event or a Qualifying Capital Transaction and the discount rate selected from a market debt yield analysis.

The gain on change in fair value of the Unsecured Convertible Notes for the year ended March 31, 2023 was \$728,268 (March 31, 2022 – \$nil) and is included in the consolidated statements of loss and comprehensive loss.

Due to the short-term nature of cash, trade accounts receivable, accounts payable and accrued expenses, the carrying value of these financial instruments approximate their fair value.

The following summary shows the carrying amount, fair value and valuation technique used to calculate fair value of each financial liability for the year ended March 31, 2023 and 2022:

Financial Liabilities	March 31, 2023		March 31, 2022		Valuation Technique
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Unsecured Convertible Notes	19,386,637	19,386,637	-	-	Black-Scholes-Merton Model
Series A Preferred Stock	16,700,000	16,700,000	11,150,038	11,150,038	Option Pricing Model - Backsolve
Contingent Liability	549,808	549,808	499,623	499,623	Black-Scholes-Merton Model
Derivative Financial Instruments	2,385,482	2,385,482	74,916	74,916	Option Pricing Model - Backsolve

If the fair value of these financial liabilities categorized within level 3 were to increase or decrease by 10% as of March 31, 2023, the Company would incur an associated increase or decrease in net and comprehensive loss of approximately \$3.9 million (March 31, 2022 – \$1.2 million). Refer to Note 18 and 26 for details on the fair value of financial liabilities.

**Market Risk**

Market risk is the risk that changes in the market related factors, such as foreign currency exchange rates and interest rates, will affect the Company's (loss) income or the fair value of finance instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

*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 exposure to interest rate risk is minimal as the leases and notes had fixed terms for the year ended March 31, 2023.

*Foreign currency risk*

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in its foreign subsidiaries. The Company's foreign currency

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risk arises primarily with respect to the Chinese Yuan Renminbi (“RMB”) and the Canadian Dollar (“CAD”). Fluctuations in the exchange rates between the RMB and CAD and the US dollar could have a material impact on the Company’s business, financial condition and results of operations. The Company does not engage in hedging activity to mitigate this risk.

The following summary illustrates the fluctuations in the exchange rates applied for the year ended March 31, 2023:

	Average rate	Closing rate
RMB	0.1446	0.1456
CAD	0.7395	0.7390

A \$0.01 strengthening or weakening of the US dollar against the RMB at March 31, 2023 would result in an increase or decrease in other comprehensive income of approximately \$81,070. A \$0.01 strengthening or weakening of the US dollar against the CAD at March 31, 2023 would result in an increase or decrease in other comprehensive income of approximately \$102,830.

*Credit risk*

Credit risk is the risk that a counterparty fails to meet its contractual obligation to the Company. The Company is exposed to the risk for various financial instruments through receivables from customers and the potential for cash fraud. The Company’s maximum exposure to credit risk was limited to the carrying amount of financial assets recognized for the years ended March 31, 2023 and 2022.

The Company closely monitors cash by preparing a monthly bank reconciliation for management’s examination. When material transactions are expected management reviews its completeness and accuracy through an online portal.

The Company prepares and reviews an account receivable aging report on a weekly basis and follows-up, when applicable.

The Company also continuously monitors potential defaults of customers on an individual basis and incorporates this information into its credit risk controls. Where available, at reasonable cost, external credit ratings and credit checks are obtained and used. The Company’s policy is to deal only with creditworthy customers. During the year ended March 31, 2023, the Company recorded a net bad debt recovery of (\$1,533,834) (year ended March 31, 2022 – bad debt expense \$6,714,440) (see additional details in Note 6, *Accounts Receivable*).

The Company’s aging of trade receivables, net of expected credit losses, was as follows:

As of	March 31, 2023	March 31, 2022
Current	\$ 5,374,233	\$ 6,241,367
Past due 1 to 30 days	2,571,647	2,730,054
Past due 31 to 60 days	857,723	2,925,226
Past due 61 to 90 days	823,696	334,106
Past due 91 to 120 days	1,089,347	129,534
<b>Total</b>	<b>\$ 10,716,646</b>	<b>\$ 12,360,287</b>

The expected loss rates are based on historical credit losses, past industry experience and adjusted to reflect current and forward-looking information of each customer’s ability to settle the receivables. This is affected and adjusted constantly on a customer-by-customer basis, which includes information from economic conditions.

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## **Financial Risk Factors**

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade receivables in a timely manner, which could in turn impact the Company's ability to meet its current commitments and obligations. Other than leases (Note 11 and debt (Note 18), all of the Company's financial obligations have maturities of less than one year.

The Company manages its liquidity needs by monitoring its cash flow from operating activities and its current plans for capital outlay. The Company uses a variety of forecasting tools to manage cash inflows and outflows on a daily, weekly, monthly and quarterly basis.

The Company objective when managing liquidity is to ensure that it will have sufficient liquidity to meet its contractual financial obligations when they become due under normal and stressed situations without incurring unacceptable losses. In order to manage the liquidity, the Company is pursuing a new equity financing via private placement wherein it expects to raise gross proceeds up to \$12 million. The Company intends to close the Private Placement immediately upon the withdrawal of the Cease Trade Order issued by the British Columbia Securities Commission on August 14, 2023. (See Note 28, *Subsequent Events*).

The Company is also considering additional funding and planning to enter into loan agreements with Nut Hill Investment Ltd to borrow \$1,600,000 in the form of promissory notes. (See Note 28, *Subsequent Events*).

The Company also intends to convert all outstanding convertible notes into SV Shares pursuant to the amendment to the convertible note indenture (see Note 28, *Subsequent Events*), which shall retire outstanding convertible notes in the aggregate amount of \$44 million due in 2024 and significantly deleverage the balance sheet.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, which primarily includes cash inflows from trade receivables in comparison to cash outflows from trade payables and accrued liabilities. As of March 31, 2023, the Company had a cash balance of \$3,920,275 (March 31, 2022 - \$3,406,733) and an accounts receivable balance of \$10,716,646 (March 31, 2022 - \$12,360,287). The Company's total accounts payable and accrued expenses as of March 31, 2023 was \$22,526,527 (March 31, 2022 - \$18,186,982) which have contractual maturities of less than 90 days.

### *Management of Capital*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue operations. In the management of capital, the Company includes its components of operating lease obligations, cash and equity.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling its expenses. Management reviews its capital management policies on an ongoing basis.

### *Novel Coronavirus ("COVID-19")*

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a

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widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

**27. OPERATING SEGMENTS**

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Company's CEO as he is primarily responsible for the assessment of performance. The CODM uses revenues as the key measure of each segment's performance for the period under evaluation.

The Company has determined it has two key segments 1) hardware and packaging and 2) formulating, filling and co-packaging products for various cannabis brands in California and Canada – along with the associated corporate expenses ("Master Manufacturing"). Together, these segments provide the Company with a fully integrated business model.

**Segmented Operating Results for the year ended March 31, 2023**

	<b>Hardware &amp; Packaging</b>		<b>Master Manufacturing</b>		<b>Total</b>
Revenue	\$ 46,660,502	\$	24,427,299	\$	71,087,801
Cost of Goods Sold	32,614,066		19,765,179		52,379,245
Gross Profit	\$ 14,046,436	\$	4,662,120	\$	18,708,556
Expenses	10,343,410		26,075,248		36,418,658
Income (Loss) from Operations	\$ 3,703,026	\$	(21,413,128)	\$	(17,710,102)

**Segmented Operating Results for the year ended March 31, 2022**

	<b>Hardware &amp; Packaging</b>		<b>Master Manufacturing</b>		<b>Total</b>
Revenue	\$ 58,499,292	\$	17,555,646	\$	76,054,938
Cost of Goods Sold	44,005,379		16,180,691		60,186,070
Gross Profit	\$ 14,493,913	\$	1,374,955	\$	15,868,868
Expenses	20,659,209		8,347,395		29,006,604
Income (Loss) from Operations	\$ (6,165,296)	\$	(6,972,440)	\$	(13,137,736)

**Major customers:**

Sales to the Company's three largest customers accounted for 33.0% of total revenues for the year ended March 31, 2023 (year ended March 31, 2022 – 40%).

**28. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through [November X, 2023], which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition at March 31, 2023, have been incorporated into these consolidated financial statements.



**FINAL BELL HOLDINGS INTERNATIONAL LTD.**  
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**Proposed Equity Financing**

The Company is pursuing an equity financing by way of a non-brokered private placement (the “Private Placement”), in one or more tranches of SV Shares or equivalent number of PV Shares, for aggregate gross proceeds of up to \$12 million (C\$16.25 million). The Company intends to close the Private Placement immediately upon the withdrawal of the Cease Trade Order issued by the British Columbia Securities Commission. The Company raised \$7,000,000, out of which \$4,500,000 was raised in the form of promissory notes and the remaining \$2,500,000 consisting of subscription agreements.

**Transactional Update Related to 14R Merger Agreement**

On April 5, 2023, the Company announced that it completed the orderly settlement of all outstanding matters relating to the merger with 14R that was completed in late 2022 (the “Merger”). Previous holders of preferred shares in 14R (the “14R Pref Holder”) who had dissented from the Merger have agreed to participate in the transaction and have received an aggregate 140,844 Class C Series A Preferred Shares and 18,325 PV Shares. Each Preferred Share is exchangeable into one PV Share, and the Preferred Shares include preference rights to dividends and distributions and on liquidation, as well as price protection equal to the consideration securityholders received on completion of the RTO and other acquisitions that included the Merger. The rights and restrictions relating to the Preferred Shares are available on SEDAR+.

**Related Party Loans**

Tom Fornarelli

Pursuant to the loan agreement date March 01, 2023 between FBHI and Tom Fornarelli (co-founder and head of innovation at Final Bell Holdings), requested an advance in the form of loan for \$252,464 from Company as total drawn from April 01, 2023 to June 30, 2023.

Jeremy Green

Pursuant to the loan agreement date March 01, 2023 between FBHI and Jeremy Green (CEO of 14R subsidiary and FBHI shareholder) requested an advance in the form of loan for \$150,000 from Company as total drawn from April 01, 2023 to May 31, 2023. Amounts drawn were repaid in June and no additional amounts have been drawn.

**Warrant Exercise**

On June 10, 2023, the Company issued 4,675 PV Shares for gross proceeds of \$87,750 upon the exercise of replacement warrants issued in connection with the Merger.

**Amendment to the Unsecured Convertible Notes**

On June 23, 2023, the Company announced that holders of its outstanding Unsecured Convertible Notes have approved certain amendments (the “Amendment”) to the Indenture. The amendments will result in the mandatory conversion of the Notes into SV shares of the Company (the “SV Share”) to now be triggered at a fixed price of C\$0.46 per SV Share upon the Company completing an equity financing for gross proceeds of at least C\$1,360,000 (US\$1,000,000). A supplemental Indenture implementing the amendments is available on SEDAR+.

**Settlement of Bridge Acquisition Loans**

On June 30, 2023, Company entered into a Debt Settlement Agreements with Angsana Investment, Jason DeLand and Naval Elite Limited wherein the parties agreed to settle the debt in FBHI SV shares. Please see below table for settlement summary:

Lender	Bridge Loan Balance (\$)	Settlement by issuing SV shares
Angsana Investment Private Limited (entity wholly owned by FBHI current CEO Mr. Meyer)	900,000	2,647,058

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Jason DeLand ( <i>Director and Chairman of the Company's Board of Directors</i> )	100,000	294,117
Naval Elite Limited	250,000	735,294
<b>Total balance of bridge loan will be settled in SV shares</b>	<b>1,250,000</b>	<b>3,676,469</b>

The conversion price for these exchanges was determined to be \$0.34 per share. Accrued interest will be paid in cash.

**14R Loan Agreement with Nut Hill Investment Ltd**

On August 21, 2023, 14R entered into two loan agreements with Nut Hill Investment Ltd, a Company partially owned by Mr. Meyer, to borrow \$1,600,000 in the form of promissory notes.

The first loan was obtained for the principal amount of \$1,000,000 payable on the first maturity date (61<sup>st</sup> day following the loan date) without accruing any interest. For the outstanding principal amount due on the first maturity date, the maturity for such outstanding amount shall be extended to the second maturity date (181<sup>st</sup> day following the loan date). Interest shall accrue on the outstanding balance during the period from the first to the second maturity date at the rate of 15% per annum. If the principal remains outstanding on the second maturity date, Nut Hill shall have the right to convert the principal outstanding along with interest accrued into SV Shares of FBHI at a conversion price of \$0.34 per share.

The second loan was obtained for the principal amount of \$600,000 payable on the first maturity date (121<sup>st</sup> day following the loan date). For the outstanding principal amount due on the first maturity date, the maturity date for such outstanding amount shall be extended to the second maturity date (241<sup>st</sup> day following the loan date). No interest will accrue on the outstanding principal balance during the term. In consideration for the second loan, Nut Hill shall be entitled to:

- (i) the right to receive royalties in the aggregate amount of \$100,000 payable on or before the first maturity date based on sales through to that date;
- (ii) if the principal amount of the loan remains unpaid by the first maturity date, Nut Hill shall have the right to receive royalties in addition to (i) above in the amount of \$100,000 payable on or before the second maturity date based on sales through to that date;
- (iii) If any of the royalties provided for in paragraphs (i) and (ii) above remains unpaid on or before June 30, 2024, such outstanding royalties shall be paid thereafter either (i) in twelve (12) consecutive equal monthly cash installments, beginning on June 30, 2024; or (ii) at the discretion of 14R and its parent company FBHI, the outstanding royalties amount shall be converted into SV Shares of FBHI at the price of \$0.34 per share.

**14R Loan Agreement with Jason DeLand**

On September 01, 2023 14R entered into a loan agreement with Jason DeLand (Director and Chairman of the Company's Board of Directors) to borrow \$300,000 in the form of promissory note.


The loan shall be payable on the first maturity date (61<sup>st</sup> day following the loan date) without accruing any interest. For the outstanding principal amount due on the first maturity date, the maturity for such outstanding amount shall be extended to the second maturity date (181<sup>st</sup> day following the loan date). Upon occurrence of event of default (as defined in the loan agreement) any amounts unpaid and outstanding shall accrue interest at the rate 18% per annum.

If the principal remains outstanding on the second maturity date, Mr. DeLand shall have the right to convert the principal outstanding along with interest accrued into SV Shares of FBHI at a conversion price of \$0.34 per share.

**Sales-Based Royalty Fees**

From April 1, 2023 through November [X], 2023, the Company paid [\$1,682,747] in sales-based royalty fees to GSW.

This is Exhibit "8" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #:85519T

**Final Bell Holdings International, Ltd.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31, 2023	June 30, 2023	September 30, 2023
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 3,920,275	\$ 5,385,688	\$ 5,687,858
Accounts Receivable, Net	10,716,646	8,676,102	9,336,324
Accounts Receivable, Related Party	-	-	-
Inventories	11,997,683	11,929,102	10,984,937
Prepaid Expenses	2,279,431	2,352,257	3,224,112
<b>Total Current Assets</b>	<b>28,914,035</b>	<b>28,343,149</b>	<b>29,233,231</b>
Property and Equipment, Net	5,467,177	4,737,119	4,139,467
Intangible Assets, Net	21,576,597	15,857,252	14,984,640
Goodwill	6,343,203	11,276,281	11,606,116
Investments	-	-	-
Right-of-Use Asset	5,356,262	5,076,413	4,898,552
Notes Receivable- Related Party, Net of Current Portion	-	-	-
Net Investment in Sublease	429,724	(1)	(1)
Other Long Term Assets	931,387	566,335	530,216
Deferred Income Tax Asset	2,395,122	-	37,118
<b>TOTAL ASSETS</b>	<b>\$ 71,413,507</b>	<b>\$ 65,856,548</b>	<b>\$ 65,429,339</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 19,351,511	\$ 22,338,439	\$ 22,982,370
Accrued Expenses	3,175,016	3,140,790	4,233,969
Deferred Revenue	1,448,083	1,323,459	2,427,423
Related Party Loans	1,250,000	1,250,076	3,150,305
Bridge Acquisition Loan	-	-	-
Current Portion of Credit Facility	3,078,588	-	-
Unsecured Convertible Notes	19,386,637	-	-
Promissory Note	1,110,214	-	-
Current Portion of Lease Liability	1,213,486	891,625	889,487
Deferred Consideration	-	-	-
Income Tax Payable	3,455,125	760,765	1,334,723
<b>Total Current Liabilities</b>	<b>53,468,660</b>	<b>29,705,154</b>	<b>35,018,277</b>
Series A Preferred Stock Liability	16,700,000	-	-
Lease Liability, Net of Current Portion	5,185,326	4,761,798	4,630,040
Credit Facility	-	3,545,294	2,787,266
Contingent Liability	549,808	522,241	509,641
Promissory Note	-	4,632,646	5,740,207
Notes Payable	-	-	-
Convertible Notes	-	19,830,024	19,351,607
Derivative Financial Instruments	2,385,482	2,536,610	2,536,610
Secured Term Loan	22,095,325	22,095,325	22,095,325
Other Long Term Liability	59,290	59,290	-
Deferred Income Tax Liability	-	423,300	414,018
<b>TOTAL LIABILITIES</b>	<b>100,443,891</b>	<b>88,111,682</b>	<b>93,082,991</b>
Equity:			
Share Capital	88,855,810	104,311,020	104,651,841
Additional Paid-in-Capital	-	86,994	86,994
Share Based Payments Reserve	1,240,934	-	-
Warrants	3,027,755	3,027,755	3,027,755
Accumulated Other Comprehensive Income	1,742,900	(2,801,804)	(4,097,035)
Accumulated Deficit	(124,806,514)	(128,015,035)	(132,366,862)
Equity attributable to Controlling Shareholders	(29,939,115)	(23,391,070)	(28,697,307)
Non-controlling interest	908,731	1,135,936	1,043,655
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(29,030,384)</b>	<b>(22,255,134)</b>	<b>(27,653,652)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 71,413,507</b>	<b>\$ 65,856,548</b>	<b>\$ 65,429,339</b>

This is Exhibit "9" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #:85519T

## SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of January 8, 2024

Among:

Cortland Credit Lending Corporation,  
in its capacity as administrative agent (the “**Agent**”)  
for the Lenders (as defined herein)  
200 Bay St., Suite 3230  
Royal Bank Plaza South Tower  
Toronto, ON, M5J 2J2

And:

The Green Organic Dutchman Ltd. (the “**Borrower**”)  
Suite 402 – 5520 Explorer Drive  
Mississauga, ON L4W 5L1

And:

Those lenders from time to time party hereto in accordance with Section 30 (collectively, the “**Lenders**”, and each a “**Lender**”).

**WHEREAS** the Agent and the Borrower entered into a credit agreement dated March 31, 2020, as amended by a first amendment dated May 27, 2020, a second amendment dated October 1, 2020 and a third amendment dated July 30, 2021 (as amended, the “**Original Credit Agreement**”).

**AND WHEREAS** the Agent and the Borrower amended and restated the Original Credit Agreement in its entirety by way of an amended and restated credit agreement dated September 29, 2021, as amended by a first amendment dated November 30, 2021, a second amendment dated March 9, 2022, a third amendment dated April 29, 2022, a fourth amendment dated November 3, 2022, a fifth amendment dated June 30, 2023, and a sixth amendment dated August 30, 2023 (as amended, the “**First ARCA**”).

**AND WHEREAS** the Borrower and the Lenders wish to amend and restate the First ARCA in its entirety by way of this second amended and restated credit agreement (this “**Agreement**”).

**AND WHEREAS** terms used and not otherwise defined have the meanings given to such terms in Schedule “C” attached hereto.

**IN CONSIDERATION** of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

1. **Funding Commitment.**

- (a) Subject to the satisfaction of the terms and conditions set out in this Agreement, the Agent, on behalf of the Lenders, hereby agrees to continue to provide the Borrower with the Revolving Facility, by way of Loan Advances, provided that the aggregate amount of Loan Advances outstanding at any time shall not exceed the Revolving Facility Limit.

- (b) The Borrower acknowledges and agrees that the proceeds of the Revolving Facility will be used to finance the working capital requirements of the Obligors, including the payment of ordinary course payables of the Obligors, including fees and expenses relating to the transactions contemplated by this Agreement.
2. **Agent Compensation.** In consideration of, among other things, amending the Revolving Facility as provided for under this Agreement, the Agent shall be entitled to the following fees or reimbursement of the following costs (which fees and costs shall be in addition to any other amounts payable to the Agent and/or Lenders hereunder, including interest):
- (a) **[Reserved].**
- (b) Any documented out-of-pocket expenses incurred in connection with (i) the Agent's due diligence, and (ii) the monitoring of the Revolving Facility while the Revolving Facility is made available to the Borrower, shall be payable upon demand.
- (c) A utilization fee, calculated daily and payable on the last Business Day of each month, by subtracting the aggregate amount of the Loan Advances outstanding on each day, from the Maximum Revolving Facility Limit) and multiplying the difference by the Utilization Fee Rate.
3. **Loan Advances.**
- (a) Subject to satisfaction of the terms and conditions set out in this Agreement, the Agent shall, from time to time, upon request of the Borrower made in accordance with the terms and conditions of this Agreement, make one or more Loan Advances available to the Borrower provided that the aggregate principal amount of such Loan Advances does not exceed, at any given time, the Revolving Facility Limit at such time. If at any time the aggregate principal amount of all Loan Advances outstanding (collectively, the "**Total Exposure**") exceeds the Revolving Facility Limit at such time, then the Borrower will promptly repay such Loan Advances in cash by an amount required to reduce the Total Exposure to an amount less than or equal to the Revolving Facility Limit.
- (b) Each Loan Advance will bear interest at the Interest Rate, which interest will be due and payable in cash on the last Business Day of each month.
- (c) The Revolving Facility shall be a revolving facility. For greater certainty, the Borrower shall be entitled to obtain Loan Advances under the Revolving Facility from time to time and repay all or any portion of the Loan Advances under the Revolving Facility from time to time and thereafter re-borrow Loan Advances from time to time; provided that: (i) the Borrower, acknowledges, covenants and agrees that the Total Exposure shall not at any time exceed the Revolving Facility Limit.; (ii) any repayment made in respect of the Base Facility Amount prior to the Maturity Date (each such repayment, a "**Base Facility Prepayment**") shall permanently reduce the Base Facility Amount (but, for greater certainty, not the Maximum Revolving Facility Limit) by an amount equal to such Base Facility Prepayment; and (iii) on and after March 24, 2024, the Borrower shall make Base Facility Prepayments, on a monthly basis, in amounts to be determined by the Agent acting reasonably.
- (d) The Collection Account will be swept daily as provided for in Section 8(w).

- (e) Interest owing on the Loan Advances shall be calculated daily and not in advance on the basis of the then current calendar year of three-hundred and sixty-five (365) or three-hundred and sixty-six (366) days for the actual number of days elapsed, and in the case of a leap year, the annual interest rate corresponding to the interest calculated on a three-hundred and sixty-five (365) day year is equal to the interest rate thus calculated multiplied by three-hundred and sixty-six (366) and divided by three-hundred and sixty-five (365). Any amount of principal, interest, commission, discount or of any other nature remaining unpaid at maturity shall bear interest at the Interest Rate. Interest on all overdue interest calculated as aforesaid and compounded monthly at the aforesaid rate from the due date thereof without necessity of notice or demand, the whole before as well as after maturity, demand, default or judgement. The Borrower acknowledges and agrees that for the purposes of the *Interest Act* (Canada), the information provided to it hereunder with respect to the calculation of interest hereunder or under any other Transaction Document shall constitute an express statement of the yearly rate or percentage of interest to which such interest rate (including the Interest Rate) or percentage is equivalent. The Borrower hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to this Agreement or any other Transaction Document, that the interest payable under this Agreement (including the Interest Rate) or any other Transaction Document and the calculation thereof has not been adequately disclosed to the Borrower, whether pursuant to section 4 of the *Interest Act* (Canada) or any other Applicable Law.
- (f) Where the rate of interest payable under any Loan Advance is found by a competent court of law, governmental agency or other tribunal to exceed the maximum rate of interest permitted by the laws of any applicable jurisdiction or the rules or regulations of any appropriate regulatory authority, then during the time that the rate of interest would exceed the permissible limit, that portion of each interest payment attributable to the portion of the interest rate that exceeds the permissible limit shall be deemed to be a voluntary prepayment of principal.
- (g) The Agent's books and records relating to the Loan Advances and any related interest shall be *prima facie* evidence of same, absent manifest error.

4. **Conditions Precedent to the Effectiveness of this Agreement.** The effectiveness of this Agreement will be subject to receipt by the Agent of an executed copy of this Agreement together with the following, each in a form satisfactory to the Agent, and/or satisfaction of the following, unless waived by the Agent on terms satisfactory to the Agent:

- (a) an executed copy of a perfection certificate by the FBC Obligors;
- (b) an executed copy of a confirmation of guarantee and security agreement from each Obligor (other than the FBC Obligors);
- (c) an executed copy of an attornment agreement to the Guarantee to be delivered by each FBC Obligor;
- (d) an executed copy of each of the Security Agreements by each FBC Obligor;
- (e) an executed copy of an amendment agreement to the Security Agreement previously delivered by Holdings;



- (f) an executed copy of a completion certificate in respect of the FBC SEA by Holdings together with:
  - (i) a copy of the release by the FBC Vendor (and all subsidiaries of the FBC Vendor except for the FBC Obligors) of any and all amounts owing by the FBC Obligors (other than the FBC Unsecured Loan); and
  - (ii) copies of each employee release required under or pursuant to the FBC SEA;
- (g) until view access has been granted pursuant to Section 11(c), deliver, or caused to be delivered, to the Agent a bank statement with respect to the FBC Obligor bank accounts daily and the Borrower will, or will cause the FBC Obligors to, manually sweep such accounts weekly to the Agent;
- (h) documents evidencing the equity conversion of the loan made by Stone Pine to Holdings pursuant to the secured demand promissory note dated September 26, 2022 in the principal amount of \$2,200,000, including:
  - (i) executed copies of any and all documents relating to the equity conversion;
  - (ii) executed copies of any and all documents releasing Holdings from the security granted in favour of Stone Pine, including that certain general security agreement dated September 26, 2022;
  - (iii) executed copies of any and all documents confirming payment in full of the Stone Pine indebtedness incurred pursuant to such note; and
  - (iv) copies of the discharges for any registrations or filings that may be outstanding in favour of Stone Pine against Holdings in connection with Section 4(h)(ii) immediately above.
- (i) receipt by the Agent of all information necessary for the Agent to comply with its legal and internal requirements in respect of applicable money-laundering legislation, proceeds of crime legislation and “know your customer” requirements;
- (j) completion of and satisfaction with all necessary financial, insurance and legal due diligence (including the Agent’s satisfaction with the nature and scope of any Liens affecting the FBC Obligors);
- (k) a corporate organizational chart for the Obligors;
- (l) a certificate of a senior officer of the Borrower, Holdings and each FBC Obligor to which are appended: (i) copies of the articles of incorporation, certificate of formation and by-laws or constitution (if applicable), operating agreement or shareholder agreement governing the affairs of such Obligor (if applicable), (ii) an incumbency certificate setting out the names and offices of all directors and officers of such Obligor, together with specimen signatures of same, and (iii) certified copies of the resolutions of the shareholders or directors of such Obligor authorizing the execution, delivery and performance of the Transaction Documents to which each is a party and the transactions contemplated thereby, and the granting of security;
- (m) certificates of status or good standing or equivalent, as applicable, of each Obligor in respect of its jurisdiction of formation;

- (n) opinions regarding corporate status of the Borrower, Holdings and each FBC Obligor, the due authorization, execution and delivery of the Transaction Documents to which such Obligor is a party, all registrations in respect of such security and the enforceability of such Transaction Documents (all such opinions to be in form and substance satisfactory to the Agent);
- (o) all representations and warranties provided for in the Transaction Documents being true, accurate and complete, in all material respects;
- (p) no Material Adverse Change has occurred since the date of the last financial statements provided by the Obligors to the Agent;
- (q) evidence that all security given to the Agent is registered and perfected in all such jurisdictions satisfactory to the Agent in order to provide the Agent with a first-ranking security interest (subject only to Permitted Encumbrances) in the Collateral;
- (r) the Agent shall have received payment in full of all fees and expenses required under this Agreement;
- (s) the Agent shall have received, in form and substance satisfactory to the Agent, delivery of any estoppel letters, releases, discharges, subordinations and postponements (in registerable form where appropriate) with respect to any Liens affecting the Collateral;
- (t) the Agent shall have received copies of all Material Agreements and Material Permits; and
- (u) such other conditions and/or documents or instruments as the Agent may reasonably require.

5. **Conditions Precedent to Loan Advances.** The obligation of the Lenders to make any Loan Advance (subsequent to the initial Loan Advance) will be subject to receipt by the Agent of the following, each in a form satisfactory to the Agent, and/or satisfaction of the following, in each case, without duplication, unless waived by the Agent on terms satisfactory to the Agent:

- (a) an executed Advance Request Certificate and a Borrowing Base Certificate shall have been received not less than 1 Business Day before the date of the proposed Loan Advance;
- (b) all representations and warranties provided for in the Transaction Documents being true, accurate and complete, in all material respects, as of the date of such Loan Advance, except to the extent specified to be made as of a specific date; and
- (c) no Default or Event of Default shall have occurred as of the date of such Loan Advance.

6. **Representations and Warranties.** Each Obligor represents and warrants to the Agent as follows:

- (a) **Status.** It has been duly organized and is a valid and subsisting legal entity in good standing under the laws of its jurisdiction of formation and has full capacity and power to carry on its business as the same is presently conducted and, to own and lease property.
- (b) **Power and Authority.** It has the power and is duly authorized to enter into, execute, deliver and perform its obligations under this Agreement and each other Transaction Document

to which it is a party, and it has the power and is duly authorized to borrow as herein contemplated and to provide the security interests herein contemplated.

- (c) Ownership of Assets. It owns, leases or has rights in all assets required in order to carry on its businesses as presently conducted. All such assets are owned by it free and clear of all Liens other than Permitted Encumbrances.
- (d) Compliance with Laws. It is in compliance in all material respects with all Applicable Laws (specifically including, for greater certainty, all applicable Cannabis laws).
- (e) Litigation, Judgments and Executions. There are no actions, suits or proceedings pending, or to the knowledge of it threatened, against it in any court or before or by any federal, provincial, municipal or other Governmental Authority, except: (A) the litigation disclosed in Schedule "D" attached hereto; and (B) other litigation in which all amounts claimed against the Obligors do not in the aggregate exceed Fifty Thousand Dollars (\$50,000). There are no judgments or executions against it. Without limiting the generality of the foregoing:
  - (i) the matter involving Panni Management and Technology Corporation has been resolved and the settlement was not material, and did not cause a Material Adverse Change or result in the occurrence of a Default or Event of Default; and
  - (ii) any amount owing or which may become owing by any Obligor pursuant to or in connection with the Tambakos Litigation Matter (as defined in Schedule "D" attached hereto) is fully indemnified by a Person (other than an Obligor) pursuant to the FBC SEA.
- (f) Environmental Laws. Except to the extent disclosed in Schedule "E" attached hereto:
  - (i) each Obligor and its business, operations, assets, equipment, property, leaseholds and other facilities is in compliance in all material respects with all Requirements of Environmental Law, specifically including all Requirements of Environmental Law concerning the storage and handling of Hazardous Materials;
  - (ii) each Obligor holds all material permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials and all other Requirements of Environmental Law;
  - (iii) there has been no material emission, spill, release, or discharge into or upon the air, soils (or any improvements located thereon), surface water or groundwater or the sewer, septic system or waste treatment, storage or disposal system servicing any premises, of any Hazardous Materials at or from any of the properties owned or leased by any of the Obligors;
  - (iv) no material written complaint, order, directive, claim, citation, or notice from any Governmental Authority or any other Person has been received by any Obligor with respect to any of the properties owned or leased by any of the Obligors in respect of air emissions, spills, releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing any of the properties owned or

leased by any of the Obligors, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation, or disposal of Hazardous Materials or other Requirements of Environmental Law affecting any of the properties owned or leased by any of the Obligors;

- (v) there are no material legal or administrative proceedings, investigations or claims now pending, or to the Borrower's knowledge, threatened in writing, with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any of the properties owned or leased by any of the Obligors, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any material matters under discussion between any Obligor and any Governmental Authority relating thereto; and there is no factual basis for any such proceedings, investigations or claims; and
- (vi) the Obligors have no material indebtedness, obligation or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup or disposal of any Hazardous Materials, including without limitation any such indebtedness, obligation, or liability under any Requirements of Environmental Law regarding such storage, treatment, cleanup or disposal.
- (g) Bankruptcy Events. No Bankruptcy Event has been initiated by it or occurred in respect of it, and no Bankruptcy Event has been threatened against it.
- (h) Anti-Terrorism and Corruption Laws. It has conducted its business in compliance with Anti-Terrorism and Corruption Laws and has instituted and maintained policies and procedures reasonably designed to promote and achieve compliance with such Anti-Terrorism and Corruption Laws.
- (i) Subsidiaries. As of the date hereof, the only Subsidiaries it has are listed in Schedule "F" attached hereto.
- (j) Corporate Information. Schedule "F" attached hereto contains a true and complete list as of the date hereof of the following information in respect of each Obligor:
  - (i) all prior names and predecessor corporations;
  - (ii) jurisdiction of incorporation;
  - (iii) registered office, chief executive office, principal place of business, and all locations at which it has places of business or owns assets;
  - (iv) the number and classes of its issued and outstanding shares, except in the case of Holdings; and
  - (v) a list of all shareholders including the number and class of shares held by each and a list of all of its subsidiaries.
- (k) Solvency. It is Solvent.
- (l) No Pending Corporate Changes. Except as disclosed on Schedule "G" attached hereto, or in the public filings of Holdings, as of the date hereof, no Person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, including convertible securities, warrants or convertible

obligations of any nature, for the purchase of any properties or assets of any Obligor out of the ordinary course of business or for the purchase, subscription, allotment or issuance of any debt or equity securities of any Obligor.

- (m) Material Agreements and Material Permits. Its Material Agreements and Material Permits are listed in Schedule “H” attached hereto (as such Schedule may be updated from time to time to reflect any Material Agreements or Material Permits entered into or obtained in compliance with the terms hereof) and true, correct and complete copies of each have been delivered to the Agent. Each such Material Agreement and Material Permit is in good standing, in full force and effect and there are no defaults thereunder, except to the extent any such Material Agreement has terminated as scheduled in the ordinary course in accordance with its terms.
- (n) No Conflicts under Material Agreements or Material Permits. The execution and delivery by each Obligor of those Transaction Documents to which it is a party, and the performance of its obligations thereunder, will not conflict with, result in a breach of or require any approval or consent under any Material Agreement or Material Permit to which it is a party.
- (o) Real Properties. Its real property interests as of the date hereof, both owned and leased, and subject to a warehouse contract or held with a bailee, are listed in Schedule “I” attached hereto.
- (p) No Guarantees. It has not granted any Guarantees, other than Permitted Guarantees.
- (q) Statutory Liens. It has remitted on a timely basis all amounts required to have been withheld and remitted (including withholdings from employee wages and salaries relating to income tax and employment insurance), goods and services tax and all other amounts, which if not paid when due could result in the creation of a statutory lien against any of its property.
- (r) No Default or Event of Default. No Default or Event of Default has occurred and is continuing.
- (s) Financial Statements and No Material Change. The financial statements of the each Obligor that have been made available to the Agent have been prepared in accordance with GAAP, and fairly present the financial position and results of operations of such Obligor for the dates or periods reported on thereby subject, in relation to any unaudited financial statements, any year-end adjustments. From the date of the last audited financial statements made available to the Agent, there has been no event which would reasonably be expected to result in a Material Adverse Change.
- (t) Related Party Transactions. Except as (A) disclosed in the financial statements or other public disclosure of the Obligors or (B) as permitted by this Agreement, no Obligor: (i) is a creditor under a loan or otherwise committed to make any payment or loan to, or borrowed any moneys from or otherwise been indebted to, any related party thereof (other than another Obligor); or (ii) been a party to any contract with any related party thereof, other than independent contractor or indemnification agreements entered into with officers or directors. Any transactions between an Obligor and a related party (other than another Obligor) has been completed on reasonable commercial terms that, considered as a whole, are not in any material respect less advantageous to such Obligor, than if the

transaction was with a Person dealing at arm's length with such Obligor, as the case may be.

- (u) U.S. Cannabis. It has no direct, indirect or ancillary interest in any "marijuana-related activity" in the United States as defined in Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana Activities of the Canadian Securities Administrators.
- (v) Internal Controls. It has established and maintains a system of internal controls over financial reporting that is designed to provide reasonable assurance regarding the preparation of financial statements for external purposes in accordance with GAAP, and includes policies and procedures that: (i) pertain to the maintenance of records that accurately and fairly reflect the material transactions, acquisitions and dispositions of the property and assets of it; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that material receipts and expenditures of it are made only in accordance with authorizations of management its directors; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of its property or assets that could have a material adverse effect on its financial statements.
- (w) Full Disclosure. All information (including, without limitation, financial information and financial statements) furnished by or in respect of the Obligors to the Agent for the purposes of or in connection with this Agreement and each of the other Transaction Documents was true and correct in all material respects as at the date such information is stated to have been given, and is not incomplete by omitting to state any material fact necessary to make the statements contained in such information not misleading in any material respect in light of the circumstances under which the statements contained in such information were made.
- (x) Warrants. In respect of the Warrants and the Warrant Shares:
  - (i) Warrants. That the Agent, or its Affiliates, are the holders of the Warrants and that the Warrants are fully earned.
  - (ii) Warrant Shares. That Holdings (A) is duly authorized and has the corporate and lawful power and authority to create and issue the Warrant Shares upon the exercise of the Warrants and to perform its obligations thereunder and that the certificate(s) representing the Warrants, will, when issued, represent a valid, legal and binding obligation of Holdings enforceable in accordance with its terms; and (B) has agreed to, at all times, reserve and keep available out of its authorized common shares a sufficient number of Warrant Shares to satisfy the right of purchase pursuant to the Warrants, it will cause the Warrant Shares, including duly authorized certificates in respect thereof, subscribed for and purchased in accordance with the terms and conditions of the Warrants to be issued and delivered as directed and such Warrant Shares shall be issued as fully paid and non-assessable common shares of Holdings and the holders thereof shall not be liable to Holdings or to its creditors in respect thereof.
  - (iii) Actions to Issue Warrant Shares. That Holdings has agreed to take such actions as may be reasonably necessary and as are within its power to ensure that all Warrant Shares will be issued without violation of any applicable laws or the

applicable requirements of any stock exchange upon which the common shares of Holdings may be listed.

- (iv) Securities Filings. That Holdings has agreed to make all requisite filings under applicable securities laws necessary to preserve and maintain its corporate existence and its status as a reporting issuer not in default in the provinces and territories of Canada.
- (v) Listing of Holdings' Shares. That Holdings has agreed to use all reasonable efforts to maintain the listing of its common shares for trading on the Canadian Securities Exchange (or such other recognized stock exchange as may be agreed upon by Holdings and the holder of the Warrants or the Agent) and to have the Warrant Shares issued pursuant to the exercise of the Warrants listed and posted for trading on the Canadian Securities Exchange (or such other recognized stock exchange as may be agreed upon by Holdings and the holder of the Warrants or the Agent) as expeditiously as possible and in any event prior to the issuance of such common shares.
- (vi) Issuance of Warrant Shares. That Holdings has agreed that upon exercise of the Warrants, the Warrant Shares will be issued as fully paid and non-assessable common shares in the capital of Holdings.
- (y) Securities Filings. That Holdings has agreed to make all requisite filings under applicable securities laws necessary to remain a reporting issuer not in default in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.
- (z) Listing of Holdings' Shares. That Holdings has agreed to use all reasonable efforts to maintain the listing of its common shares on the Canadian Securities Exchange (or such other recognized stock exchange as may be agreed upon by Holdings and the Agent).
- (aa) Excluded Subsidiaries. Each of the Excluded Subsidiaries does not hold any assets.
- (bb) 102172093 Saskatchewan Ltd. Without the prior written consent of the Agent, at its sole discretion, the Borrower shall not permit 102172093 Saskatchewan Ltd. to, at any time, own or acquire any material assets that exceed \$50,000 in value individually or in the aggregate.

## 7. Reporting Covenants.

- (a) The Borrower will provide to the Agent the following financial information:
  - (i) quarterly consolidated financial statements, within sixty (60) days of each fiscal quarter of the Borrower;
  - (ii) copies of management updates, budgets and other related reports on the operational results of the Obligors which have been provided to the board of directors of the Borrower at such directors' regular board meetings and all such other financial information relating to the foregoing as the Agent reasonably requires to assess the liquidity of the Obligors and the Obligors' performance against such budgets;

- (iii) a quarterly business review on such terms, and such basis, as is required by the Agent, such to determine the status of business as it relates to the Obligors, and in particular compliance with the terms of this Agreement;
  - (iv) annual audited consolidated financial statements within one hundred twenty (120) days of the end of each fiscal year of the Borrower;
  - (v) on a monthly basis, within thirty (30) days of the end of each calendar month:
    - 1. unconsolidated financial statements of each Obligor;
    - 2. unconsolidated general and ledger trial balance for each Obligor;
    - 3. an accounts receivable summary for each debtor of the Obligors, aged by invoice date;
    - 4. an accounts payable summary for each creditor of the Obligors, aged by invoice date;
    - 5. bank reconciliations, including for greater certainty, bank statements and a complete listing of outstanding cheques;
    - 6. confirmation of payment of all taxes owing by any Obligor; and
  - (vi) on a weekly basis, on Friday of each week (as of Thursday of such week);
    - 1. an accounts receivable summary for each debtor of the Obligors, aged by invoice date;
    - 2. an accounts payable summary for each creditor of the Obligors, aged by invoice date; and
  - (vii) any additional financial and reporting information as the Agent may reasonably request from time to time, in its sole discretion.
8. **Covenants.** Each Obligor covenants and agrees with the Agent that it:
- (a) will pay all interest, principal, fees and other amounts due under the terms of this Agreement and any other Transaction Document to which it is a party;
  - (b) will satisfy, in all material respects, all the terms and conditions of this Agreement and any other Transaction Document to which it is a party;
  - (c) will immediately advise the Agent of any Default or Event of Default;
  - (d) will file all tax returns which are or will be required to be filed by it, pay or make provision for payment of all taxes (including interest and penalties) and Potential Priority Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
  - (e) it will comply in all material respects with all Applicable Laws (specifically including, for greater certainty, all applicable Cannabis laws) and use the proceeds of all Loan Advances hereunder for legal and proper purposes; and without limiting the generality of the foregoing the Borrower shall and shall cause each other Obligor to:



- (i) engage in Cannabis-Related Activities only to the extent that such Cannabis-Related Activities are (A) in an Approved Jurisdiction, and (B) in compliance with all Applicable Laws in such Approved Jurisdiction (including, without limitation on a federal, state, provincial, territorial and municipal basis);
  - (ii) ensure that all activities of the Obligors relating to the cultivation, production and processing of Cannabis and Cannabis-related products occur solely in facilities licensed by Governmental Authorities in Approved Jurisdictions; and
  - (iii) ensure that all activities of the Obligors relating to the sale of Cannabis and Cannabis-related products occur solely in facilities licensed by Governmental Authorities in Approved Jurisdictions or between entities licensed by Governmental Authorities in Approved Jurisdictions.
- (f) will: (i) immediately, with respect to Material Agreements and/or Material Permit; and (ii) promptly, and in any event within three (3) Business Days, notify the Agent of any material action requests or material violation notices received by it from any Person (including, without limitation, from any Governmental Authority) concerning it (including, without limitation, any notices or requests in connection with the protection or preservation of the environment) and hold the Agent and the Lenders harmless from and against any losses, costs or expenses which the Agent or any Lender may suffer in connection therewith;
- (g) will promptly advise the Agent of any Material Adverse Change;
- (h) will keep its assets (including, without limitation, the Collateral) fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils;
- (i) will, at reasonable times and upon reasonable notice (provided that upon the occurrence of an Event of Default that is continuing, the Agent is permitted to do the following at any time and without notice) permit the Agent or its representatives, from time to time, (i) to visit and inspect any Obligor's premises, properties and assets and examine and obtain copies of the Borrower's records or other information, and (ii) to discuss the Obligors' affairs with the auditors of the Obligors (in the presence of the Obligors' representatives as it may designate); the Obligors hereby authorize and direct any such third party to provide to the Agent or its representatives all such information, records or documentation reasonably requested by the Agent;
- (j) except for Permitted Encumbrances, will not, without the prior written consent of the Agent, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights;
- (k) will not, without the prior written consent of the Agent, sell, transfer, convey, lease or otherwise dispose of any of its:
- (i) accounts receivables; or
  - (ii) other than accounts receivables, properties or assets (excluding obsolete or otherwise superfluous assets) other than (i) in the ordinary course of business and on commercially reasonable terms, or (ii) to another Obligor, (iii) to the extent the

proceeds of such sale are promptly reinvested in assets useful to the business of the Obligors, or (iv) if such disposition would not materially impact the operation, business or financial condition of any Obligor.

- (l) will not, without the prior written consent of the Agent, provide any Guarantees (other than Permitted Guarantees);
- (m) will not, without first obtaining the prior written consent of the Agent, merge, amalgamate, or otherwise enter into any other form of business combination with any other Person and it will cause any such resulting Person to become an Obligor hereunder and to grant such security and enter into such Transaction Documents and other agreements as the Agent may require, provided that (i) upon ten (10) days' prior written notice to the Agent any Obligor may merge, amalgamate or wind-up with or into another Obligor, and (ii) concurrently with such merger, amalgamation or winding-up the Borrower shall provide, or cause to be provided to the Agent all additional or replacement Security Agreements as the Agent may reasonably require in connection therewith;
- (n) will not pay any dividends, other corporate distributions, or any interest or principal on subordinated debt other than (i) to another Obligor, (ii) in respect to Permitted Indebtedness, or (iii) with the prior written consent of the Agent *provided that* notwithstanding the foregoing: (i) no payments may be made in respect of the FBC Unsecured Loan if a Default or Event of Default has occurred hereunder and is continuing or would occur upon the making of any such payment; (ii) no payments may be made other than as set out in the FBC Unsecured Promissory Note.
- (o) will not acquire or move any material Collateral or change its chief executive office or principal place of business to any jurisdiction outside of the jurisdiction of each such respective Obligor listed in Schedule "F" attached hereto without first executing and delivering all such security and other documentation and completing all registrations, recordings and filings to grant in favour of the Agent a security interest in such Collateral and to render effective the security interest granted thereby, all in form and substance satisfactory to the Agent;
- (p) will not incur additional indebtedness other than Permitted Indebtedness;
- (q) will not enter into any swaps, futures, hedges, foreign exchange or commodity transactions for spot or forward delivery, contracts or other derivative transactions for investment or speculative purposes (for greater certainty, the entering into of any such swaps, futures, hedges, foreign exchange or commodity transactions for spot or forward delivery, contracts or other transactions for protection against fluctuation in currency or interest rates or commodity prices is permitted);
- (r) will not, without the prior written consent of the Agent, make, cause or permit any amendment to any Material Agreement if the effect of such amendment would be reasonably likely to result in a Default or Event of Default;
- (s) will provide written notice to the Agent of each of the following promptly after the occurrence thereof:
  - (i) all proposed amendments to Material Agreements and Material Permits;

- (ii) all correspondence and notices received from any Governmental Authority or stock exchange with respect to any Material Agreement, Material Permit or any regulatory or other investigations into the Obligors' business practices which could have a material and negative effect on any of the Obligors or their business, or any of the Obligors' ability to repay the obligations owing under this Agreement or would be likely to result in a Default;
- (iii) any changes in the identity of Responsible Persons, which materially effect the Obligors together with satisfactory evidence of security clearances for such Responsible Persons under the Cannabis Act or the Cannabis Regulations; and any rejection notice for new or renewal security clearance applications for each Responsible Person;
- (t) will conduct its business in compliance with Anti-Terrorism and Corruption Laws and institute and maintain policies and procedures designed to promote and achieve compliance with such Anti-Terrorism and Corruption Laws;
- (u) will (i) where an Account Debtor makes a payment in the form of a cheque, deposit such cheque into the Collections Account, (ii) where an Account Debtor makes a payment by electronic funds transfer, direct such Account Debtor to make such transfer to the Collections Account;
- (v) will not (i) amend, vary or terminate the Collections Account or the Blocked Account Agreement, and (ii) amend, modify or otherwise change any banking instructions provided to the financial institution maintaining the Collections Account, which would result in the application of any funds from any Account Debtor to an account other than the Collections Account;
- (w) the Borrower shall sweep the Collections Account at the end of each day and use such funds to repay all or any portion of the Loan Advances under the Revolving Facility outstanding at such time;
- (x) will grant the Agent and the Lenders the first right of refusal to provide any debtor in possession financing during any applicable Bankruptcy Event;
- (y) not amend, supplement (in a way that is detrimental to the Lender), terminate, abandon, allow to expire or fail to renew any Material Permits, or permit any other Person to use, become party to or otherwise have an interest in, any Material Permits, or take any action in furtherance of, or fail to take any action, which failure could be reasonably expected to result in, any of the foregoing;
- (z) not enter into any transaction with any Affiliate, other than the another Obligor, except on terms no less favourable than could be obtained in an arm's-length transaction;
- (aa) change in any material respect the nature of its business or operations, nor engage directly or indirectly in any material business activity, or purchase or otherwise acquire any material property, in either case, not related to or in furtherance of the conduct of the business as presently conducted by it;
- (bb) cause Holdings to, at all times, reserve and keep available out of Holdings' authorized common shares a sufficient number of Warrant Shares to satisfy the right of purchase pursuant to the Warrants and to issue and deliver the Warrant Shares subscribed for and

- purchased in accordance with the terms and conditions of the Warrants to be issued as fully paid and non-assessable common shares of Holdings;
- (cc) to take all actions, and to cause Holdings to take such actions, as may be reasonably necessary and as are within its power to ensure that all Warrant Shares will be issued without violation of any applicable laws or the applicable requirements of any stock exchange upon which the common shares of Holdings may be listed;
  - (dd) to cause a news release of Holdings announcing this Agreement and such other matters as may be required pursuant to applicable securities laws to be disseminated and filed pursuant to such applicable securities laws, provided that Borrower agrees to provide a draft of such news release to the Agent and to allow the Agent to provide reasonable comments prior to its dissemination / filing;
  - (ee) to cause Holdings to provide a draft of any other news release related to this Agreement and/or ancillary matters to the Agent and to allow the Agent to provide reasonable comments prior to the dissemination / filing of any such other new release;
  - (ff) in respect of the Warrants, will:
    - (i) cause Holdings to, at all times, reserve and keep available out of Holdings' authorized common shares a sufficient number of Warrant Shares to satisfy the right of purchase pursuant to the Warrants and to issue and deliver the Warrant Shares subscribed for and purchased in accordance with the terms and conditions of the Warrants to be issued as fully paid and non-assessable common shares of Holdings; and
    - (ii) to take all actions, and to cause Holdings to take such actions, as may be reasonably necessary and as are within its power to ensure that all Warrant Shares will be issued without violation of any applicable laws or the applicable requirements of any stock exchange upon which the common shares of Holdings may be listed;
  - (gg) will maintain positive EBITDA on a rolling 3-month average;
  - (hh) with respect to the BZAM Edmonton Property:
    - (i) it shall not or shall not permit, as applicable, the charge on the Existing BZAM Edmonton Property Charge to be increased from such amount existing as of November 3, 2022;
    - (ii) it shall not or shall not permit, as applicable, any charges to be placed on the BZAM Edmonton Property (other than Permitted Encumbrances); and
    - (iii) to the extent the Existing BZAM Edmonton Property Charge is discharged at any time, it shall provide or cause to be provided (as applicable) a first charge on the BZAM Edmonton Property in favour of the Agent.
  - (ii) will provide, or cause to be provided, in respect of any Excluded Subsidiary to the extent it holds any assets, all Guarantees and Security Agreements required to be provided under this Agreement. For greater certainty, to the extent any such Subsidiary no longer qualifies as an Excluded Subsidiary, such Subsidiary shall cease to be an Excluded Subsidiary and shall be an Obligor for the purposes of this Agreement;

- (jj) will remit to the Agent no less than \$4,000,000 from the net proceeds of the sale of the BZAM Edmonton Property to be applied as follows by the Agent: (i) \$3,000,000 to repay the [REDACTED]; and (ii) no less than \$1,000,000 to be applied as a Base Facility Prepayment (which for greater certainty shall reduce the Base Facility Amount by an amount equal to such Base Facility Prepayment); and
- (kk) will provide evidence, in form and substance satisfactory to the Agent, of the amalgamation of Médican Biologique Inc. and 9430-6347 Quebec Inc. within two (2) Business Days following the release of the Medican SPA (as defined in Schedule "G") from escrow.

9. **Use of Insurance Proceeds.** The parties agree that the proceeds of any insurance policies received by the Agent in connection with insurable events relating to the Collateral shall be applied to repay the outstanding fees, interest and principal in respect of the Loan Advances.

10. **Term and Termination.**

- (a) The term of the Revolving Facility expires on March 24, 2024 (the "**Maturity Date**").
- (b) The Agent shall have the right to terminate the Revolving Facility:
  - (i) upon immediate notice, if an Event of Default has occurred and is continuing;
  - (ii) upon one hundred and eighty (180) days notice, if a material adverse change in market conditions is negatively affecting the liquidity of any Lender; and
  - (iii) upon immediate notice, if the Revolving Facility shall become, in whole or in part, illegal or in contravention of any Applicable Law.
- (c) The Revolving Facility may be terminated upon the mutual agreement of the Agent and the Borrower, at which time, all accrued interest, principal and unpaid fees owing shall be paid in cash by the Borrower to the Agent on such date; provided that if any such termination is at the request of the Borrower, the term "unpaid fees" in the preceding sentence shall include, without limitation, the Termination Fee.
- (d) If there is a Bankruptcy Event of the Borrower, then this Agreement shall be forthwith ended and terminated.
- (e) If the Revolving Facility is terminated for any reason, with respect to any outstanding Loan Advances, the Agent shall retain all of its rights and remedies, under the Transaction Documents.
- (f) If the Revolving Facility is terminated for any reason, then at the election of the Agent by way of immediate notice to the Borrower, all accrued and/or unpaid interest, all outstanding Loan Advances, and all unpaid fees will be due and payable under this Agreement, and the Borrower will pay such amounts to the Agent forthwith.
- (g) the Borrower shall have the right to terminate this Agreement without the Agent's consent upon not less than ninety (90) days written notice, subject to the payment in full all accrued and/or unpaid interest, all outstanding Loan Advances, and all unpaid fees, such amounts shall be payable in cash by the Borrower to the Agent forthwith upon such termination.

11. **Post-Closing Undertaking.** The Borrower, on behalf of each Obligor, hereby agrees that it shall take (or cause to be taken, as applicable) the following actions within the applicable time periods set out below, and further agrees that any failure of the Borrower to take such actions or satisfy any of the following post-closing conditions within such time period shall constitute (subject to any written extensions granted by the Agent) an Event of Default:

- (a) cause to be delivered to the Agent, within thirty (30) days of the date of this Agreement, Collateral Access Agreements;
- (b) grant to the Agent, within two (2) Business Days view access on all FBC Obligor bank accounts and the Borrower will, or will cause the FBC Obligors to, manually sweep such accounts weekly to the Agent;
- (c) move, or cause to be moved, within thirty (30) days of the date of this Agreement, all FBC Obligor bank accounts from Alterna Savings and Credit Union Limited to Bank of Montreal (or such other financial institution acceptable to the Agent in its sole discretion);
- (d) cause to be delivered to the Agent, within ten (10) days of the date that Section 11(b) immediately above has been satisfied (and in any event within forty (40) days of the date of this Agreement), Blocked Account Agreements;
- (e) deliver to the Agent immediately upon completion (and in any event within three (3) Business Days of the date of this Agreement) evidence of the name change of any of the FBC Obligors;
- (f) deliver to the Agent or its counsel, within three (3) Business Days of the date of this Agreement, original share certificates for any and all equity interests in the capital of FBC, together with duly executed stock transfer powers of attorney in blank with respect to such equity interests;
- (g) deliver to the Agent:
  - (i) within ten (10) days of the date of this Agreement, copies of each of the consents required under or pursuant to the FBC SEA;
  - (ii) within sixty (60) days of the date of this Agreement, copies of each of the governmental authorizations required under or pursuant to the FBC SEA; and
- (h) cause the Agent to be added as (i) an additional insured to each commercial general liability insurance policy maintained by the FBC Obligors; and (ii) first mortgagee and first loss payee to each property and business insurance policy maintained by the FBC Obligors, and deliver to the Agent, within five (5) Business Days certificates of insurance for all such insurance policies, with such additional insured and mortgagee/loss payee endorsements, together with copies of the applicable policies.

12. **Remedies Upon Default.** Upon the occurrence of any Event of Default, the Lender may at its sole option:

- (a) declare, by notice in writing to the Borrower, any or all of the Loan Advances and fees and other obligations owing to the Agent and or the Lenders to be immediately due and payable;
- (b) realize upon all or any part of the Collateral, pursuant to the Security Agreements; and

(c) take such actions and commence such proceedings as may be permitted at law or in equity (whether or not provided for herein or in the Transaction Documents) at such times and in such manner as the Agent in its sole discretion may consider expedient

13. **Accredited Investor Representation.** The Agent represents and warrants to the Borrower and Holdings that it is an “accredited investor” within the meaning of section 73.3 of the *Securities Act* (Ontario) by virtue of being a person described in the Accredited Investor Certificate (attached as Schedule “K”), and the Agent is delivering with this Agreement a completed and signed Accredited Investor Certificate.

14. **Extended Meanings.** Terms defined in the singular have the same meaning when used in the plural, and vice-versa. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term “including” shall mean “including, without limitation”, and the term “includes” shall mean “includes, without limitation”. Any reference herein to the exercise of discretion by the Agent or any Lender (including phrases such as “in the discretion of”, “in the opinion of”, “to the satisfaction of” and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

15. **Headings.** The section headings are not to be considered part of this Agreement, are inserted for convenience of reference only, are not intended to be full or accurate descriptions of the content thereof and shall not affect the construction or interpretation of this Agreement.

16. **Currency.** All dollar amounts referred to in this Agreement and all payments to be made hereunder are in Canadian dollars unless agreed to otherwise in writing by the Agent.

17. **Entire Agreement.** This Agreement, including the Schedules hereto, and the Exhibits to such Schedules, and any other agreement required hereunder to be delivered in connection herewith, constitute the entire agreement between the parties as to the subject matter of this Agreement and may not be amended or modified in any respect except by written instrument signed by the parties hereto.

18. **Severability.** In the event that any one or more provisions contained in this Agreement, or any other agreement required hereunder to be delivered in connection herewith, shall be invalid, illegal or unenforceable in any way, the remaining provisions hereof or thereof shall not be affected or impaired thereby unless as a consequence thereof of the rights and benefits granted to the Agent are, in the discretion of the Agent, materially and adversely affected.

19. **Execution.** This Agreement may be executed in one or more counterparts, each of which when so executed shall constitute an original and all of which together shall constitute one and the same agreement.

20. **Electronic Execution of Certain Documents.** The words “delivery”, “execution,” “signed,” “signature,” and words of like import in any Transaction Document or any other document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law; provided, that notwithstanding anything contained herein to the contrary the Agent is under no obligation to agree to accept

electronic signature in any form or in any format unless expressly agreed to by the Agent pursuant to procedures approved by it.

21. **Business Day.** If under the provisions of this Agreement any amount is to be paid or any act or thing is to be done or step is to be taken on a day other than a Business Day, then such amount shall be paid or such act or thing or step shall be done or taken on the next succeeding Business Day.

22. **Further Assurance.** The Borrower shall, from time to time execute, draw, endorse and deliver all such instruments and documents and do all such acts and things as the Agent may deem necessary or desirable for the purposes of carrying into effect any or all of the provisions of this Agreement or any documents delivered hereunder or of securing the fulfillment of all the obligations of the Borrower to the Agent hereunder.

23. **Costs, Expenses and Fees.** The Borrower agrees to pay all fees owing to the Agent hereunder and all of the Agent's costs incurred from time to time (including reasonable legal fees and disbursements and reasonable accountant fees and disbursements) in the preparation, negotiation and execution of this Agreement and the other Transaction Documents and all third party costs associated with bringing or attempting to bring this transaction to a close and any costs incurred in the operation or enforcement of this Agreement or any other Transaction Documents. The Agent will provide a summary of such legal fees and disbursements. All costs of insuring the Collateral will be the responsibility of the Borrower. All such costs and expenses shall be payable upon demand. The Agent shall have the right, but not the obligation, to deduct all such costs and expenses and any fees owing to the Agent, from time to time, from the proceeds of any Loan Advance.

24. **GOVERNING LAW.** THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS (EXCEPT, AS TO ANY OTHER TRANSACTION DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT (EXCEPT, AS TO ANY OTHER TRANSACTION DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE PROVINCE OF ONTARIO AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN.

25. **SUBMISSION TO JURISDICTION.** THE BORROWER IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE AGENT OR ANY RELATED PARTY OF THE AGENT IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE PROVINCE OF ONTARIO SITTING IN THE CITY OF TORONTO, THE FEDERAL COURTS OF CANADA SITTING IN THE CITY OF TORONTO, AND ANY APPELLATE COURT FROM ANY THEREOF, (EXCEPT, AS TO ANY OTHER TRANSACTION DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH ONTARIO PROVINCIAL COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES



THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER TRANSACTION DOCUMENT SHALL AFFECT ANY RIGHT THAT THE AGENT MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

26. **WAIVER OF VENUE.** THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT IN ANY COURT REFERRED TO IN SECTION 25. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

27. **SERVICE OF PROCESS.** EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 28. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

28. **Notice.** Any notice to be given by any party hereto to any other party hereto shall be in writing and may be given by personal delivery, or except during any period when postal service is interrupted, by prepaid registered mail, or by electronic mail or by other means of instantaneous transmission that produces a permanent copy to the address noted below ("**other communication**") addressed as follows:

(a) to the Borrower:

The Green Organic Dutchman Ltd.  
Suite 402 – 5520 Explorer Drive  
Mississauga, ON L4W 5L1

Attention: Matt Milich  
Telephone: (778) 655-6335  
Email: mmilich@bzam.com

(b) to the Agent or a Lender:

Cortland Credit Lending Corporation  
c/o Cortland Credit Group Inc.  
200 Bay St., Suite 3230  
Royal Bank Plaza South Tower  
Toronto, ON, M5J 2J2

Attention: Bruce Sherk  
Telephone: (416) 407-4440  
Email: bsherk@cortlandcredit.ca

If given by registered mail shall be deemed to have been received by the party to whom it was addressed on the date falling four (4) Business Days following the date upon which it has been

deposited in the post office with postage and cost of registration prepaid, and if personally delivered to an adult during normal business hours, when so delivered, and if given by other communication, the third (3rd) business hour after transmission and confirmation of receipt. Provided that any of the above-named parties may change the address designated from time to time, by notice in writing to the other party hereto.

29. **Binding Effect.** This Agreement shall be binding upon and shall enure to the benefit of (i) the Agent and the Lenders and their respective successors and assigns, and (ii) the Borrower and its successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

30. **Lenders.**

(a) The Borrower acknowledges and agrees that the Lenders shall be determined by the Agent from time to time, provided that (i) prior to the occurrence of an Event of Default, a Lender may be any entity designated by the Agent (without the consent of the Borrower) that is managed, affiliated with or Controlled by the Agent, (ii) prior to the occurrence of an Event of Default, a Lender may be any entity designated by the Agent (with the consent of the Borrower) that is not an entity managed, affiliated with or Controlled by the Agent, and (iii) following the occurrence of an Event of Default a Lender may be any entity designated by the Agent in its sole and unfettered discretion.

(b) The Borrower acknowledges and agrees that the Agent is acting as administrative and collateral agent for the Lenders. The Borrower acknowledges and agrees that the Agent shall be entitled to disclose, on a confidential basis, all information received by it regarding the Borrower, any Obligor, the Collateral, this Agreement and any other Transaction Document to: (i) each Lender, each prospective Lender, any Person purchasing notes, units or otherwise providing funding, directly or indirectly, to any Lender (or any prospective Lender), each prospective assignee or participant, and the officers, directors, employees, accountants, lawyers and other professional advisors of the Agent, any Lender, any prospective Lender and any prospective assignee or participant (each a "**Receiving Party**") provided that each Receiving Party agrees to maintain the confidentiality of any such information in respect of which the Agent has any duty of confidentiality to the Borrower or any Obligor; (ii) to any rating agencies rating the indebtedness of a Lender, provided such rating agencies are bound by customary confidentiality agreements; (iii) to any agent of the Agent or any Lender to the extent necessary to enforce any rights which the Agent or such Lender may have to collect any amounts in respect of the Transaction Documents or the Collateral, provided such agent has agreed in writing to be bound by the provision of this Agreement in respect of such information; (iv) to the extent required for any registration or filing required to perfect any of the Agent's Liens contemplated any Security Agreement or other Transaction Document; and (v) as may be required by Applicable Law. The Agent and the Lenders confirm that, regardless of the number and identity of the Lenders, the Obligors will only be required to act in accordance with the instructions of the Agent, and no Lender will have an independent cause of action or remedy against the Obligors directly, it being understood that each Lender has appointed, or will appoint, the Agent as its sole and exclusive administrative and collateral agent in connection with the transactions contemplated by this Agreement.

31. **General Indemnity.** Each Obligor hereby indemnifies and holds harmless the Indemnified Parties from and against any and all claims, damages, losses, costs and expenses, that may be

incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto arising out of or in connection with or relating to this Agreement, the other Transaction Documents or the transactions contemplated hereby or thereby, or any use made or proposed to be made with the proceeds of the Loan Advances, whether or not such investigation, litigation or proceeding is brought by an Obligor, any shareholder or creditor thereof, an Indemnified Party or any other Person, or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such losses and expenses are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's intentional or gross negligence or wilful misconduct or for breach in bad faith of such Indemnified Party's obligations hereunder or under any other Transaction Document, or where such litigation or proceeding is solely between Indemnified Parties.

32. **Claims under the Indemnity.** The Indemnified Party claiming indemnification under Section 31 shall give the Borrower prompt notice in writing of particulars of any claim asserted by third parties against it which is covered by such indemnities.

33. **Amendment and Restatement.** This Agreement is an amendment and restatement of the First ARCA, and is in full force and effect, as of and from the date hereof. This Agreement will not discharge or constitute a novation of any debt, obligation, covenant or agreement contained in the Original Credit Agreement, the First ARCA or in any other Transaction Document, agreements, certificates and other documents executed and delivered by or on behalf of any Obligor in respect thereof or in connection therewith, but the same shall remain in full force and effect as amended and restated by this Agreement and is hereby ratified and confirmed in the form of this Agreement. For greater certainty, the parties hereto agree that any obligations outstanding under or in connection with the Original Credit Agreement, the First ARCA or the Transaction Documents as of the date hereof, constitute obligations outstanding under this Agreement or the Transaction Documents (as applicable). Each reference to the "**Credit Agreement**" or other similar reference in any of the Transaction Documents and all other agreements, certificates and other documents executed and delivered by any of the Obligors or Cortland in respect thereof or in connection therewith shall mean and be a reference to this Agreement.

*[Remainder of this page is intentionally left blank; signature page follows.]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement.

**BORROWER:**

**THE GREEN ORGANIC DUTCHMAN LTD.**

Per: Sean Bovingdon  
Name: Sean Bovingdon  
Title: CFO

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Borrower.

**AGENT:**

**CORTLAND CREDIT LENDING CORPORATION, as Agent**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Borrower.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement.

**BORROWER:**

**THE GREEN ORGANIC DUTCHMAN LTD.**


Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Borrower.

**AGENT:**

**CORTLAND CREDIT LENDING CORPORATION, as Agent**

Per:  \_\_\_\_\_  
Name: Sean Register  
Title: CEO

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Borrower.

**OTHER OBLIGORS:  
BZAM LTD.**

Per:   
Name: Matt Milich  
Title: CEO

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.

**MEDICAN ORGANIC INC.**

Per:   
Name: Sean Bovingdon  
Title: CFO

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.

**BZAM HOLDINGS INC.**

Per:   
Name: Matt Milich  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.

**FOLIUM LIFE SCIENCE INC.**

Per:   
Name: Matt Milich  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.

**BZAM MANAGEMENT INC.**

Per:   
Name: Matt Milich  
Title: CEO

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.

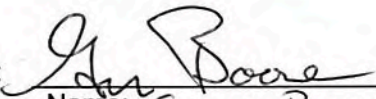
**BZAM CANNABIS CORP.**

Per:   
Name: Matt Milich  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.


**FINAL BELL CANADA INC.**

Per:   
Name: Greg Boone  
Title: President

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.

**FINAL BELL CORP.**


Per:   
Name: Greg Boone  
Title: CEO

Per: \_\_\_\_\_  
Name:  
Title:

I/We have the authority to bind the Obligor.




**FINAL BELL CANADA INC.**

Per: \_\_\_\_\_  
Name:  
Title:  


Per: \_\_\_\_\_  
Name: Jennifer MacCarone  
Title: coo

I/We have the authority to bind the Obligor.

**FINAL BELL CORP.**

Per: \_\_\_\_\_  
Name:  
Title:  


Per: \_\_\_\_\_  
Name: Jennifer MacCarone  
Title: coo

I/We have the authority to bind the Obligor.

**SCHEDULE "A"**  
**FORM OF ADVANCE REQUEST CERTIFICATE**

**ADVANCE REQUEST CERTIFICATE**

Pursuant to the provisions of the second amended and restated credit agreement dated January 8, 2024 (as it may be amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”) (terms defined therein being used herein as so defined), between, *inter alia*, The Green Organic Dutchman Ltd. (the “**Borrower**”) and Cortland Credit Lending Corporation, as administrative agent (the “**Agent**”), the undersigned, being an officer or director of the Borrower hereby represents, warrants and certifies in such capacity, and not in her or his personal capacity, as follows:

1. **Representations and Warranties**. The representations and warranties of the Borrower and the other Obligors set forth in the Credit Agreement, or which are contained in any certificate, document or financial or other written statement furnished pursuant to or in connection with the Credit Agreement, including the other Transaction Documents, are accurate and complete in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except to the extent specified in the Credit Agreement or Transaction Documents to be made as of a specific date.
2. **No Material Adverse Change**. Since the date of the latest financial statements of the Borrower provided to the Agent in connection with the Transaction Documents, no Material Adverse Change has occurred.
3. **No Default**. No Default or Event of Default has occurred and is continuing as of the date hereof.
4. **Conditions Precedent**. The conditions precedent to this Loan Advance in accordance with the Credit Agreement have been satisfied.
5. **Loan Advance**. The Borrower hereby requests, authorizes, and instructs the Agent to drawdown and advance under the Revolving Facility the amount of CDN \$● to the Borrower on \_\_\_\_\_, 20\_\_\_\_. This will be the Agent’s authority:
  - (a) [●]; and
  - (b) [●].

[Signature Page Follows]

DATED \_\_\_\_\_, 20\_\_\_\_.

**THE GREEN ORGANIC DUTCHMAN LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

## SCHEDULE "B"

## WARRANTS

	<b>Warrant 1</b>	<b>Warrant 2</b>	<b>Warrant 3</b>	<b>Warrant 4</b>
Expiry Date	2024-06-03	2025-11-02	2026-11-29	2027-11-07
Strike	5.00	3.00	1.4	0.95
Cortland Credit Strategies LP	28,000	28,000	182,000	456,400
Cortland Credit Institutional LP	5,333	5,333	18,000	10,267
Agent	16,667	16,667	100,000	233,333
<b>Total Current</b>	<b>50,000</b>	<b>50,000</b>	<b>300,000</b>	<b>700,000</b>
<b>Actual Issuance</b>	<b>500,000</b>	<b>500,000</b>	<b>3,000,000</b>	<b>700,000</b>

## SCHEDULE "C"

### DEFINED TERMS

As used in this Agreement and unless otherwise stated herein, the terms set out below shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

"\$" and "Dollar" each mean Canadian dollars.

"**Account Debtor**" means the account debtor in respect of any account receivable of an Obligor arising from a bona fide, fully-completed transaction in the ordinary course of business consisting of either the sale of goods or the provision of services by the Obligor.

"**Accounts Receivable**" means all debts, accounts (including all "**accounts**" as defined in the PPSA), claims, demands, monies and choses in action which are now or which may at any time hereafter be due, owing to or accruing due to or owned by a Person, together with all books, records, documents, papers and electronically recorded data and any other documents or information of any kind which in any way evidences or relates to any or all of the said debts, accounts, claims, demands, monies and choses in action.

"**Accounts Receivable Eligibility Criteria**" means, in respect of any Obligor, an Account Receivable of such Obligor (in this definition, individually called an "**account**") which satisfies all of the following eligibility criteria:

- (a) the account is subject to a first-ranking security interest held by the Agent pursuant to the Security Agreements and is not subject to any other Liens, except Permitted Encumbrances, and the Account Debtor thereof has been directed to pay the proceeds of such account to the Collections Account;
- (b) if the Account Debtor is a Governmental Authority, all requirements of Applicable Law have been satisfied in order that the assignment of such account in favour of the Agent shall be valid and enforceable;
- (c) the Account Debtor is located in an Approved Jurisdiction;
- (d) the Account Debtor is not any Obligor or any Related Person of any Obligor;
- (e) the account is not in dispute or subject to any defence, counterclaim or claim by the Account Debtor for credit, set-off, allowance or adjustment;
- (f) the Obligor does not have an obligation to hold any portion of the account in trust or as agent for any other Person (except pursuant to a statutory lien securing obligations which are not overdue);
- (g) an invoice relating to the account has been issued by the Obligor and received by the Account Debtor;
- (h) the account is not outstanding for more than [REDACTED] days from the date of the invoice relating thereto (regardless of the due date specified in such invoice for payment), unless the Account Debtor is a Governmental Authority, in which case the account shall not be outstanding for more than [REDACTED] days from the date of the invoice relating thereto (regardless of the due date specified in such invoice for payment);

- (i) the Account Debtor is not insolvent or subject to any Bankruptcy Event; and
- (j) the account is not subject to undue credit risk in the opinion of the Agent.

**"Advance Rate"** means: means: (i) with respect to Eligible Inventory, [REDACTED] percent ([REDACTED] %); and (ii) with respect to Eligible Accounts Receivable, [REDACTED] percent ([REDACTED] %).

**"Advance Request Certificate"** means a written notice, in the form attached as Schedule "A" attached hereto, pursuant to which the Borrower may request a Loan Advance in an amount not less than \$250,000.

**"Affiliate"** means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

**"Anti-Terrorism and Corruption Laws"** means any Applicable Laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering, corruption or bribery, and any regulation, order, or directive promulgated, issued or enforced pursuant to such laws, rules and regulations, all as amended, supplemented or replaced from time to time.

**"Applicable Law"** means, with respect to any Person, all laws, rules, regulations and orders of Governmental Authorities applicable to such Person or any of its properties or assets.

**"Applicable Margin"** means at any time: (i) at any time there is a Positive EBDA Variance, 6.55% per annum; or (ii) at any time there is a Negative EBDA Variance, 8.05% per annum.

**"Approved Jurisdiction"** means a country in which it is legal in all political subdivisions therein (including for greater certainty on a federal, state, provincial, territorial and municipal basis) to undertake any Cannabis-Related Activities provided that in each case (i) such country has been approved in writing by the Agent in its discretion and (ii) if required by the Agent, the ability to undertake Cannabis-Related Activities to the extent permitted by Applicable Law therein is confirmed by a legal opinion provided by the Borrower's counsel in such jurisdiction, in form and substance satisfactory to the Agent. The Agent may in its discretion from time to time (i) upon receipt of a written request by the Borrower, designate any jurisdiction an Approved Jurisdiction provided that the above criteria are satisfied; and (ii) revoke the designation of any jurisdiction as an Approved Jurisdiction by written notice to the Borrower if such criteria are not satisfied.

**"Associate"** has the meaning ascribed thereto in the *Canada Business Corporations Act*.

**"Bankruptcy Event"** means an Involuntary Bankruptcy Event or a Voluntary Bankruptcy Event.

**"Base Facility Amount"** means Twenty-Four Million Dollars (\$24,000,000), as such amount may be reduced in accordance with this Agreement;

**"Blocked Account Agreement"** means an agreement, in form and substance satisfactory to the Agent, in respect of a Collections Account in which, among other things, the financial institution maintaining such account acknowledges and agrees with the Agent and relevant Obligor that the Agent will control all disbursements from such accounts.

**"Borrowing Base Certificate"** means a written report, in form and substance satisfactory to the Agent, pursuant to which the Borrower has, among other things, calculated the Revolving Facility Margin Limit.

**“Business Day”** means any day other than: (a) a Saturday or Sunday; or (b) a day on which banking institutions in Toronto, Ontario, are authorized or obligated by law or executive order to be closed.

**“BZAM Edmonton Property”** means the real property legally described as Plan 8720213, Block 5, Lot 4, Excepting thereout all mines and minerals and municipally known as 8770 24th Street NW, Edmonton, Alberta, T6P 1X8.

**“BZAM Loan”** means the loans made by Stone Pine to Holdings pursuant to secured demand promissory notes on:

- (a) March 3, 2023, in the principal amount of \$2,500,000;
- (b) April 30, 2023, in the principal amount of \$1,325,000;
- (c) October 27, 2023, in the principal amount of \$1,190,000;
- (d) November 8, 2023, in the principal amount of \$600,000;
- (e) November 30, 2023, in the principal amount of \$2,000,000;
- (f) December 4, 2023, in the principal amount of \$900,000; and
- (g) such other amounts that the Agent may agree to, in writing, in its sole discretion.

**“Cannabis”** means:

- (a) any plant or seed, whether live or dead, from any species or subspecies of genus Cannabis, including Cannabis sativa, Cannabis indica and Cannabis ruderalis, Marijuana and any part, whether live or dead, of the plant or seed thereof, including any stalk, branch, root, leaf, flower, or trichome;
- (b) any material obtained, extracted, isolated, or purified from the plant or seed or the parts contemplated by clause (a) of this definition, including any oil, cannabinoid, terpene, genetic material or any combination thereof;
- (c) any organism engineered to biosynthetically produce the material contemplated by clause (b) of this definition, including any micro-organism engineered for such purpose;
- (d) any biologically or chemically synthesized version of the material contemplated by clause (b) of this definition or any analog thereof, including any product made by any organism contemplated by clause (c) of this definition;
- (e) any other meaning ascribed to the term “cannabis” under Applicable Law in any Approved Jurisdiction, including the *Cannabis Act and the Controlled Drugs and Substances Act* (Canada); and
- (f) any other meaning ascribed to the term “cannabis” under the *Controlled Substances Act* (United States).

**“Cannabis Act”** means An Act respecting cannabis and to amend the *Controlled Drugs and Substances Act*, the *Criminal Code* and other Acts, S.C. 2018, c. 16, as amended from time to time.



**“Cannabis Regulations”** means Cannabis Regulations under the Cannabis Act, as amended from time to time and all other regulations made from time to time under the Cannabis Act or any other statute in an Approved Jurisdiction with respect to Cannabis-Related Activities.

**“Cannabis-Related Activities”** means any activities, including advertising or promotional activities, relating to or in connection with the importation, exportation, cultivation, production, purchase, distribution or sale of Cannabis or Cannabis-related products.

**“Capital Lease”** means, with respect to a Person, a lease or other arrangement in respect of personal property that is required to be classified and accounted for as an obligation on a balance sheet of the Person in accordance with IFRS.

**“Change of Control”** means (i) if (x) Matt Milich ceases to be the chief executive officer of the Borrower, (y) Sean Bovingdon ceases to be the chief financial officer of the Borrower, or (z) Jordan Winnett ceases to be the chief commercial officer of the Borrower, and the Agent shall not have been satisfied, in its reasonable discretion, with the arrangements made with respect to the replacement of both such individuals; (ii) fifty percent (50%) or more of the ownership or Control of the voting interests of Holdings are acquired, directly or indirectly, by any Person, whether acting individually or in concert with any other Person or Persons; (iii) the sale of all or substantially all of the assets of any Obligor (other than to another Obligor); (iv) if any wholly owned, direct or indirect, subsidiary of the Borrower ceases to be wholly owned, directly or indirectly, by the Borrower; or (v) Borrower ceases to be wholly-owned, directly or indirectly, by Holdings. Notwithstanding the foregoing, BZAM International Ltd. (and its Affiliates) may own more than fifty percent (50%) of Holdings pursuant to: (i) an equity conversion relating to the BZAM Loan; or (ii) with the written consent of the Agent, in its sole discretion; provided that, in each case, Holdings shall provide, or cause to be provided to the Agent any and all documentation required in order for the Agent to comply with Applicable Law.

**“Collateral”** means all present and after acquired undertaking and personal property of the Obligors, including all proceeds thereof, subject to such customary exclusions as set out in the Security Agreements.

**“Collateral Access Agreement”** means a landlord waiver, bailee letter, or acknowledgement agreement of any lessor, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in any Collateral in form and substance reasonably satisfactory to Agent.

**“Collections Account”** means the account established and maintained by a Schedule “I” Canadian Chartered Bank in the name of the Borrower into which all payments by Account Debtors are deposited and which account shall at all times be subject to the Blocked Account Agreement.

**“Control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise, and **“Controlling”** and **“Controlled”** have meanings correlative thereto.

**“Default”** means any event, act, omission or condition which with the giving of notice or passage of time, or both, would result in an Event of Default.

**“EBDA”** means, at any time, EBITDA less (without duplication) interest, financing costs and taxes.

**“EBITDA”**, for a period, means net income of the Borrower for such period, on a consolidated basis, plus, without duplication for such period, each on a consolidated basis, interest expense,

taxes, depreciation, amortization, extraordinary or non-recurring losses and impairments, unrealized losses in the fair value of biological assets and non-cash stock based compensation, less unrealized gains in the fair value of biological assets and extraordinary or non-recurring gains.

**“Eligible Accounts Receivable”** means in respect of any Obligor, Accounts Receivable owned by such Obligor which complies with the Accounts Receivable Eligibility Criteria.

**“Eligible Inventory”** means in respect of any Obligor, Inventory owned by such Obligor which complies with the Inventory Eligibility Criteria.

**“Event of Default”** means:

- (a) if any Obligor at any time shall fail to pay or perform with regard to the obligation to repay the principal or interest on each Loan Advance on the date required by this Agreement for such payment;
- (b) if any Obligor at any time shall fail to pay or perform with regard to the obligation to pay any fees or other amounts payable to the Agent (which, for greater certainty, does not include amounts payable under item (i), above) within three (3) Business Days of the date required by this Agreement or any other Transaction Document for such payment;
- (c) if any Obligor ceases or threatens to cease carrying on its business or if a petition shall be filed, an order shall be made or an effective resolution shall be passed for the winding-up or liquidation of an Obligor;
- (d) if a Bankruptcy Event of any Obligor occurs;
- (e) if a Change of Control (that has not been consented to in writing by the Agent) occurs;
- (f) if any encumbrancer, lien holder or Person acting on its behalf shall take possession of the Collateral or any part thereof;
- (g) if any Obligor permits any sum which is outstanding in an aggregate principal amount exceeding \$100,000 and which has been admitted as due by such Obligor or is not disputed to be due by it and which forms or is capable of being made a charge on any Collateral in priority to the security interests granted to the Agent to remain unpaid after proceedings have been taken to enforce such charge;
- (h) if any representation or warranty made by or on behalf of any Obligor or any of its officers, employees or agents to the Agent shall be false or inaccurate, in any material respect (determined in the discretion of the Agent, acting reasonably);
- (i) if any Obligor fails to perform or comply with any of its covenants or obligations contained in any Transaction Document; provided that (other than any covenants provided for in Sections 8(j), 8(k), 8(l), 8(m), 8(n), 8(o), 8(p), 8(q), 8(r), 8(t), 8(u), 8(v), 8(w), and 8(y) or any other Event of Default provided for in any other clause of this definition), if such non-compliance is capable of being remedied within ten (10) days, such Obligor diligently attempts to remedy such non-compliance and informs the Agent of its efforts in this regard, and remedies such default within such ten (10) days, then such non-compliance shall be deemed not to constitute an Event of Default;

- (j) if any Obligor defaults in the observance or performance of any provision relating to the indebtedness or liability of such Obligor to any Person other than the Agent, in an aggregate principal amount exceeding \$100,000, subject to any cure or grace periods provided for in the documentation providing for such indebtedness or liability;
- (k) if any Material Agreement or Material Permit shall terminate, be withdrawn, suspended, revoked, cancelled or amended in contravention of this Agreement;
- (l) if a Material Adverse Change shall have occurred;
- (m) if there is a suspension of trading of the common shares of Holdings on the Canadian Securities Exchange (or such other recognized stock exchange as may be agreed upon by Holdings and the Agent and such suspension is in excess of five (5) trading days on such exchange);
- (n) if the Cannabis Act is repealed and not replaced with similar legislation;
- (o) if the FBC Unsecured Promissory Note is amended in any respect;
- (p) if there is a default, event of default or other breach of the FBC Unsecured Promissory Note (without giving effect to any cure period); or
- (q) if any payment is made in respect of the FBC Unsecured Loan that is not explicitly permitted hereunder.

**“Excluded Subsidiaries”** means, collectively (i) The Green Organic Beverage Corp., a Delaware corporation; (ii) 102172093 Saskatchewan Ltd., a Saskatchewan corporation; and (iii) 14274261 Canada Inc., a federal corporation.

**“Existing BZAM Edmonton Property Charge”** means the charge on the BZAM Edmonton Property in favour of Manjinder Singh Gill, as agent, in a principal amount of \$5,000,000 with registration number 212152636.

**“FBC”** means Final Bell Corp. (formerly Starseed Medicinal Inc.), a federal corporation, extra-provincially registered in Ontario, Saskatchewan, British Columbia, Alberta and Quebec.

**“FBC Obligors”** means, collectively FBCI and FBC.

**“FBC SEA”** means the share exchange agreement, dated December 5, 2023 between Holdings, as purchaser, the FBC Vendor and FBCI.

**“FBC Unsecured Loan”** means the loan made by the FBC Vendor to FBCI pursuant to the FBC Unsecured Promissory Note in the principal amount of \$8,000,000.

**“FBC Unsecured Promissory Note”** means the unsecured promissory note between Final Bell Holdings Inc. and FBCI dated January 5, 2024, in the principal amount of \$8,000,000.

**“FBC Vendor”** Final Bell Holdings International Ltd.

**“FBCI”** means Final Bell Canada Inc., an Ontario corporation.

**“Governmental Authority”** means the government of Canada, the United States of America or any other nation or any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body (including any self-regulatory body), court,

central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and for greater certainty includes Health Canada.

**“Guarantee”** means any agreement by which any Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of, or provide any financial assistance to any other Person or otherwise assures any creditor of such Person against loss, and shall include any contingent liability under any letter of credit or similar document or instrument.

**“Hazardous Materials”** means any contaminant, pollutant, waste or substance that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health; and without restricting the generality of the foregoing, including any pollutant, contaminant, waste, hazardous waste or dangerous goods that is regulated by any Requirements of Environmental Law or that is designated, classified, listed or defined as hazardous, toxic, radioactive or dangerous or as a contaminant, pollutant or waste by any Requirements of Environmental Law.

**“Health Canada Licenses”** means, in respect of any Obligor, all Material Permits of such Obligor which are both related to the Cannabis-Related Activities of such Obligor and issued by Health Canada, including Material Permits to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law, including without limitation License Nos. LIC-CJMMLU7IJN-2022, LIC-JTUPWJZJ50-2022, LIC-2OLWTAUL3J-2022, LIC-9GRI1YRQEV-2021, LIC-J5USTB6Z3V-2022, LIC-MVXNLN8UCN-2020, LIC-E5FM5PUXBF-2020-5, LIC-ZOTV09QHPG-2022.

**“Holdings”** means BZAM Ltd. (formerly The Green Organic Dutchman Holdings Ltd.). For greater certainty, each reference in any other (i) Transaction Document; or (ii) document, instrument or agreement executed and/or delivered in connection with this Agreement, to the words “Holdings”, “The Green Organic Dutchman Holdings Ltd.”, or words of like import, shall mean and be a reference to BZAM Ltd.

**“Indemnified Parties”** refers collectively to the Agent, the Lenders, each of their affiliates as well as each of its directors, officers, employees, representatives and agents and **“Indemnified Party”** refers to any one thereof.

**“Interest Rate”** means the greater of (i) 12% per annum and, (ii) the TD Prime Rate, plus the Applicable Margin.

**“Inventory”** means finished goods (including all “goods” as defined in the PPSA) acquired or held for sale, re-sale or lease or furnished or to be furnished under contracts of rental or service, raw materials, work in progress, finished goods, returned goods, parts or equipment acquired from third parties for re-sale, and includes all Inventory in transit.

**“Inventory Eligibility Criteria”** means the criteria set by the Agent from time to time which identifies and sets any requirements or restrictions for the purpose of determining whether any Inventory owned by an Obligor is Eligible Inventory and includes the following eligibility criteria, which may be amended by the Agent from time to time: (i) such Inventory is not obsolete; (ii) such Inventory was not acquired by any Obligor more than 8 months from any testing date; (iii) such Inventory does not have any [REDACTED] applied against it; (iv) the supplier of such Inventory does not retain any title in such Inventory; (v) such Inventory is not subject to any recall or safety restrictions in any relevant jurisdiction of sale or operations of any Obligor; (vi)

such Inventory is not subject to any Potential Priority Claim or Priority Lien; (vii) such Inventory has been paid for in cash by such Obligor; (viii) such Inventory is relevant to the Obligors' business at all relevant times; and (ix) such Inventory is either: (A) located at premises owned by an Obligor; or (B) located on premises owned by any other Persons which are the subject of a duly executed Collateral Access Agreement in favour of the Agent.

**"Involuntary Bankruptcy Event"** means, without the consent or acquiescence of the applicable Person, the entering of an application for an order for relief or approving a petition or court order for relief or reorganization or any other petition or order seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, monitoring or other similar relief under any present or future bankruptcy, insolvency or similar process under Applicable Law, or the filing of any such petition or order against such Person or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, monitor, custodian, inspector, receiver or liquidator of such Person or of all or any substantial part of the undertaking or property of such Person, in each case where such petition or order shall remain unstayed or shall not have been stayed or dismissed within forty-five (45) days from entry thereof.

**"Lien"** means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property or other priority or preferential arrangement of any kind or nature whatsoever, in each case to secure payment of a debt or performance of an obligation, including any conditional sale or any sale with recourse.

**"Loan Advance"** means any loan extended to the Borrower pursuant to the terms of this Agreement.

**"Marijuana"** has the meaning ascribed to such term (i) under the Applicable Law in any Approved Jurisdiction or (ii) under the *Controlled Substances Act* (United States).

**"Material Adverse Change"** means any event, circumstance or change that could be expected to result, individually or in the aggregate, in a material adverse effect, in any respect, on (a) the legality, validity or enforceability of any of the Transaction Documents or any of the security interests provided for thereunder, (b) the right or ability of an Obligor to perform any of its obligations under any of the Transaction Documents, in each case to which it is a party, or to consummate the transactions contemplated under any of the Transaction Documents, (c) the financial condition, assets, business or prospects of the Obligors, taken as a whole, (d) any Material Permit, or (e) an Obligor's ability to retain, utilize, exploit or comply with its obligations under any Material Permit.

**"Material Agreement"** means any contract or agreement of an Obligor (i) which involves potential revenue or expenditure in excess of \$500,000 in any fiscal year, or (ii) the loss, termination or non-renewal of which would reasonably be expected to result in a Material Adverse Change, including without limitation any agreement between an Obligor and any other Person for the supply of Cannabis.

**"Material Permit"** means the Health Canada Licenses and any other authorization, approval, consent, exemption, license, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs (including any zoning approval, development permit or building permit), the failure of which to be obtained or held would prohibit or reasonably be expected to materially and adversely affect the ability of any Obligor to conduct its business as presently conducted and planned to be conducted.

**"Maximum Revolving Facility Limit"** means Thirty Four Million Dollars (\$34,000,000).

**"Negative EBDA Variance"** means at any time, when there exists no Positive EBDA Variance.

**"Obligors"** means, collectively the Borrower, Holdings and all of Holdings' direct and indirect subsidiaries which are organized under the federal laws of Canada (or any province thereof) or any state of the United States of America (other than Excluded Subsidiaries), and "Obligor" means any of them; for greater certainty, as of the date of this Agreement, the Obligors include the Borrower, Holdings, Medican Organic Inc., BZAM Holdings Inc., BZAM Management Inc., BZAM Cannabis Corp., Folium Life Science Inc., FBCI and FBC.

**"Permitted Encumbrances"** means, collectively:

- (a) Liens granted in favour of the Agent pursuant to the Security Agreements;
- (b) Liens or deposit under workers' compensation, social security or similar legislation or in connection with bids, tenders, leases or contracts or to secured related public or statutory obligations, surety and appeal bonds where required by law;
- (c) any builders', mechanics', materialman's, carriers', repairmen's, warehousemen's, landlords' and other like Liens and privileges, in each case, which relate to obligations not yet due or delinquent or being contested in good faith;
- (d) any Liens for taxes, assessments, unpaid wages, unpaid superannuation or governmental charges or levies for the then current year and not at the time due and delinquent or are being contested in good faith;
- (e) any right reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant, claim or permit held or acquired by an Obligor, or by any statutory provision, to terminate the lease, licence, franchise, grant, claim or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition of the continuance thereof;
- (f) any Lien created or assumed by any Obligor in favour of a public utility when required by the utility in connection with the operations of such Obligor that do not in the aggregate detract from the value of any of the Collateral or impair their use in the operation of the business of such Obligor;
- (g) any reservations, limitations, provisos and conditions expressed in original grants from any Governmental Authority;
- (h) any applicable municipal and other Governmental Authority restrictions affecting the use of land or the nature of any structures which may be erected thereon, any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other Persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipelines and other similar purposes, or zoning or other restrictions applicable to the use of real property by any Obligor, or title defects, encroachments or irregularities, that do not detract from the value of the property or impair its use in the operation of the business of any Obligor;

- (i) any Lien that secures Permitted Indebtedness referred to under clause (e) of the definition of “Permitted Indebtedness” provided that: (i) such Lien is limited to the mobile equipment which was acquired with the proceeds of such Permitted Indebtedness and (ii) the amount of such Permitted Indebtedness secured by any such Lien at no time exceeds 100% of the original acquisition price of such mobile asset at the time it was acquired, plus interest and fees, if any;
- (j) any Lien in connection with attachments, judgments and other similar Liens arising in connection with court proceedings; provided however that: (i) the Liens are in existence for less than twenty (20) Business Days after their creation, or (ii) the execution or other enforcement of the Lien is effectively stayed or the claims so secured is being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with generally accepted accounting principles;
- (k) customary rights of set-off or combination of accounts with respect to deposits or accounts incurred in the ordinary course of business;
- (l) any Lien in connection with the BZAM Loan;
- (m) Liens listed in Schedule “J”; and
- (n) any Lien that secures indebtedness provided that such Lien is limited to monies paid or payable under the insurance policies together with the assigned right to cancel the insurance policies.

**“Permitted Guarantees”** means any Guarantee by an Obligor of any Permitted Indebtedness.

**“Permitted Indebtedness”** means any:

- (a) indebtedness under this Agreement;
- (b) indebtedness comprised of amounts owed to trade creditors and accruals in the ordinary course of business, which are either not overdue or, if disputed and in that case whether or not overdue, are being contested in good faith by such Obligor by appropriate proceedings diligently conducted, and provided always that: (i) the failure to pay such indebtedness could not be expected to result in a Default or Event of Default and (ii) the aggregate amount of such indebtedness does not exceed \$15,000,000;
- (c) any inter-company indebtedness between any Obligors;
- (d) any other indebtedness which the Agent agrees in writing is Permitted Indebtedness for the purposes of this Agreement;
- (e) any indebtedness under Capital Leases and Purchase Money Obligations, which indebtedness does not exceed \$10,000,000 in the aggregate for the Obligors at any time;
- (f) indebtedness owed to any Person providing or financing workers’ compensation, health, disability or other employee benefits or property, casualty or liability insurance, in each case incurred in the ordinary course of business;
- (g) the BZAM Loan;

- (h) indebtedness owing to Manjinder Singh Gill in a principal amount not to exceed \$5,000,000, secured by the Existing BZAM Edmonton Property Charge; and
- (i) the FBC Unsecured Loan.

“**Person**” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“**Positive EBDA Variance**” means at any time, EBDA greater than Zero Dollars (\$0) in each month of the immediately preceding consecutive three (3) month period.

“**Potential Priority Claims**” means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any Applicable Law or otherwise, which ranks or is capable of ranking in priority to the Agent’s security or otherwise in priority to any claim by the Agent for repayment of any amounts owing under this Agreement; provided that, for the purposes of calculating the Revolving Facility Margin Limit, the portion of Potential Priority Claims relating to excise tax shall exclude any deposits made in connection with any such excise tax owing.

“**PPSA**” means the *Personal Property Security Act* (Ontario), as amended, and to the extent relevant, equivalent statutes of the other Provinces of Canada, including the Civil Code of Quebec.

“**Priority Lien**” means any Lien that is not a Subordinated Lien.

“**Purchase Money Obligation**” means, with respect to a Person, indebtedness of the Person issued, incurred or assumed to finance all or part of the cost of acquiring any tangible asset.

“**Related Person**” in relation to any Person means a Subsidiary, Affiliate, Associate or shareholder, director, officer or employee of such Person.

“**Requirements of Environmental Law**” means: (i) obligations under common law; (ii) requirements imposed by or pursuant to statutes, regulations and by-laws whether presently or hereafter in force; (iii) directives, policies and guidelines issued or relied upon by any Governmental Authority to the extent such directives, policies or guidelines have the force of law; (iv) permits, licenses, certificates and approvals from Governmental Authorities which are required in connection with air emissions, discharges to surface or groundwater, noise emissions, solid or liquid waste disposal, the use, generation, storage, transportation or disposal of Hazardous Materials; and (v) requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, in each and every case relating to environmental, health or safety matters including all such obligations and requirements which relate to (A) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation of Hazardous Materials and (B) exposure to Hazardous Materials.

“**Responsible Person**” means: (i) an officer or director of any Obligor; or (ii) any other Person required to hold a security clearance pursuant to the Cannabis Act or the Cannabis Regulations.

“**Revolving Facility**” means a revolving credit facility in an amount not to exceed the Revolving Facility Limit.

“**Revolving Facility Limit**” means the Base Facility Amount at such time, plus the Revolving Facility Margin Limit at such time, provided that such aggregate amount shall not at any time exceed the Maximum Revolving Facility Limit.



**“Revolving Facility Margin Limit”** means, at any time: (i) the book value of Eligible Inventory at such time (which, for greater certainty, excludes any Inventory subject to any Potential Priority Claims or Priority Liens) multiplied by the Advance Rate applicable to Eligible Inventory; plus (ii) the face amount of Eligible Accounts Receivable at such time multiplied by the Advance Rate applicable to Eligible Accounts Receivable; plus (iii) [REDACTED]; minus (iv) the face amount of Potential Priority Claims relating to Eligible Accounts Receivable forming (or capable of forming) Priority Liens; provided that the amount calculated in (i), above, shall not exceed Three Million Dollars (\$3,000,000).

**“Security Agreements”** means, collectively, (i) general security and pledge agreements (or hypothecs) delivered by each of the Obligor to the Agent; (ii) the debentures and mortgages given by the Obligor to the Agent, as applicable, in respect of the real property owned by them; (iii) security agreements in respect of intellectual property delivered by each of the Obligor to the Agent, as applicable; (iv) a subordination agreement or intercreditor as may be required by the Agent from time to time; (v) all guarantees given by any Obligor to the Agent; (vi) Blocked Account Agreements (including with respect to the Collections Accounts); (vii) assignments of insurance delivered by the Obligor in favour of the Agent, as applicable, in each case, as such agreements may be amended, amended and restated or replaced in its entirety from time to time; and (viii) Collateral Access Agreements.

**“Solvent”** means, with respect to any Person as of the date of determination, (i) the aggregate property of such Person is sufficient, if disposed of at a fairly conducted sale under legal process, to enable payment of all its obligations, due and accruing due; (ii) the aggregate property of such Person is, at a fair valuation, sufficient to enable payment of all its obligations, due and accruing due; (iii) such Person is able to meet its obligations as they generally become due; and (iv) such Person has not ceased paying its current obligations in the ordinary course of business as they generally become due; and for purposes of this definition, the amount of any contingent obligation at such time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

**“Stone Pine”** means Stone Pine Capital Ltd.

**“Subordinated Lien”** means any Lien for which the holder thereof has agreed, pursuant to a subordination agreement or intercreditor agreement in form satisfactory to the Agent, that such Lien shall at all times be subordinated and postponed in favour of the Liens granted by any Obligor in favour of the Agent.

**“Subsidiary”** means a Person (other than a natural person) which is Controlled, directly or indirectly, by another Person (other than a natural person); and for greater certainty includes a Subsidiary of a Subsidiary.

**“TD Prime Rate”** means the floating annual rate of interest established from time to time by the Toronto-Dominion Bank as the reference rate it will use to determine rates of interest payable to the Toronto-Dominion Bank by commercial borrowers from it of Canadian dollar loans in Canada and designated by it as its “prime rate”.

**“Termination Fee”** means, at any time, an amount equal to two percent (2%) of the Maximum Revolving Facility Limit.

**“Total Exposure”** has the meaning given to such term in Section 3(a) of this Agreement.

**“Transaction Documents”** means, collectively, this Agreement (including for greater certainty any amendments thereto), the Guarantees given by the Obligors (other than the Borrower) in respect of the obligations under this Agreement, the Security Agreements, the Warrants, and all other documents contemplated by this Agreement and/or delivered in connection with this Agreement (including, for greater certainty, any Advance Request Certificate and Borrowing Base Certificate).

**“Utilization Fee Rate”** means two and four tenths of a percent (2.40%) per annum, divided by the then current calendar year of three hundred and sixty-five (365) or three hundred and sixty-six (366) days, as the case may be.

**“Voluntary Bankruptcy Event”** means (a) an admission in writing by a Person of its inability to pay its debts generally or a general assignment by such Person for the benefit of creditors, (b) the filing of any assignment, petition or consent thereto or answer by such Person seeking to adjudicate itself as bankrupt or insolvent, or seeking for itself any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of such Person or its debts under any present or future bankruptcy, insolvency or similar Applicable Law, or seeking, consenting to or acquiescing in the entry of an order for relief in any case under any such Applicable Law, or the appointment of or taking possession by a trustee, monitor, custodian, inspector, receiver or liquidator of such Person or for any substantial part of such Person’s property, or (c) corporate or other action taken by such Person to authorize any of the actions set forth above.

**“Warrants”** means the warrants created and issued in favour of the Agent, including those created and issued as a condition under, or pursuant to, the Original Credit Agreement and the First ARCA, as further described in Schedule “B” attached hereto.

**“Warrant Shares”** means the warrants to purchase freely tradeable common shares in Holdings pursuant to the Warrants, as further described in Schedule “B” attached hereto.

## SCHEDULE “D”

### LITIGATION

1. *1613240 Ontario Ltd. and Amy Stephenson v. The Green Organic Dutchman Holdings Ltd.* (the prior name of Holdings), Ontario Superior Court of Justice File No. CV-18-605781. Action commenced by the former Chief Financial Officer of Holdings claiming \$3 million in damages, stemming from the termination of her consulting agreement. As of November 29, 2023, Ms. Stephenson, through counsel has put forward a settlement offer of \$325,000 plus costs.
2. BZAM Cannabis Corp. commenced a claim, by arbitration, against GO Drywall Ltd. for breach of a construction contract for failure to provide services. BZAM Cannabis Corp.’s claim is for \$248,936.25. Go Drywall Ltd. commenced a cross claim for wrongful termination of the contract seeking \$746,805.89. A final arbitration was awarded in favor of BZAM Cannabis Corp.’s for the full amount of the claim, plus legal costs. BZAM Cannabis Corp.’s is in the process of attempting to enforce judgment.
3. BZAM Management Inc. has filed an appeal from the assessments by the BC Ministry of Finance’s tax appeals division to recover approximately \$1.05 Million in BC property transfer taxes paid by it in connection with its acquisition of three properties in British Columbia. BZAM Management Inc. takes the position that the taxes were not payable as it is not in fact a “foreign corporation”, which is the basis upon which such taxes are exigible. Waiting on response from BC Ministry of Finance Tax Appeals Division.
4. British Columbia Workers’ Compensation Appeal Tribunal (“**WCAT**”). Employee BZAM Management Inc. has claimed workers’ compensation benefits for a workplace injury. Claim denied on review. Worker appealed to WCAT. After the appeal hearing on January 16, 2023, all claims against BZAM Cannabis Corp. were dismissed.
5. On February 1, 2021, a former BZAM Cannabis Corp. employee filed a human rights complaint with the Alberta Human Rights Commission with respect to their termination for refusal to be vaccinated for Covid-19 pursuant to BZAM’s Vaccination Policy. Waiting for hearing date.
6. *Jason Glenn c.o.b.a Frostmec Services v BZAM Management Inc.* – British Columbia Small Claims Court. Former employee filed a Notice of Claim alleging non-payment of invoices and seeking \$28,082.00. BZAM denies all allegations of fact in the Notice of Claim. The parties were unable to settle at the Settlement Conference. A trial date has yet to be set by the Court.
7. *Freyja Jorgensen v. Final Bell Canada*, HRTO File No. 2023-53071, commenced May 31, 2023. Freyja Jorgensen, a former employee of Final Bell Corp., commenced a proceeding at the Human Rights Tribunal of Canada in the amount of CAD \$123,201. Final Bell Corp. has filed a response and estimates that its exposure is between CAD \$0 and CAD \$50,000.
8. *Thanasi Tambakos, Silvia Vassileva, Christian Tambakos, by his Litigation Guardian, Silvia Vassileva, and Gabriella Tambakos by her Litigation Guardian Silvia Vassileva v. Spectrum Cannabis Canada Ltd. (F.K.A. Mettrum Ltd.), Final Bell Corp. (F.K.A. Starseed Medicinal Inc., and Mettrum (Bennett North) Ltd.), Agripharm Corp., and Canopy Growth Corporation*, CV-23-00695168-0000, issued February 23, 2023. This action claims that

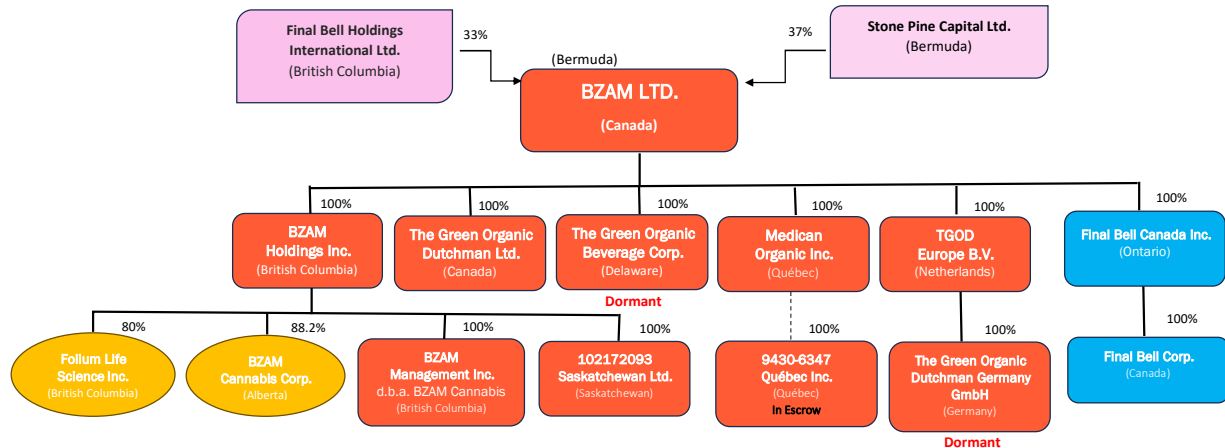
the defendants were negligent in the cultivation, production, testing, processing, manufacture, distribution, marketing and sale of the medical marijuana products affected by a recall of products produced, marketed and sold by the defendant, Mettrum Ltd. The claim is for approximately CAD \$475,000 (the "**Tambakos Litigation Matter**").

**SCHEDULE "E"**  
**ENVIRONMENTAL DISCLOSURE**

Nil.

**SCHEDULE "F"**  
**CORPORATE INFORMATION**

**Intercorporate Relationships**



**The Green Organic Dutchman Ltd.**

Name of Obligor:	The Green Organic Dutchman Ltd.
Prior Obligor Names:	N/A
Predecessor Corporations:	N/A
Jurisdiction of Incorporation:	Canada
Registered Office:	Suite 402 – 5520 Explorer Drive, Mississauga, ON L4W 5L1
Principal Place of Business/ Chief Executive Office:	1915 Jerseyville Road West, Jerseyville, ON L0R 1R0
Issued & Outstanding Shares:	200 common shares
List of Shareholders:	The Green Organic Dutchman Holdings Ltd. (the prior name of BZAM Ltd.) – 200 common shares

**BZAM Ltd.**

Name of Obligor:	BZAM Ltd.
Prior Obligor Names:	The Green Organic Dutchman Holdings Ltd.
Predecessor Corporations:	N/A
Jurisdiction of Incorporation:	Canada
Registered Office:	1570-200 Burrard Street, Vancouver, BC V6C 3L6
Principal Place of Business/ Chief Executive Office:	1570-200 Burrard Street, Vancouver, BC V6C 3L6
Issued & Outstanding Shares:	158,121,789 common shares
List of Shareholders:	N/A

**Medican Organic Inc.**

Name of Obligor:	Medican Organic Inc./Médican Biologique inc.
Prior Obligor Names:	N/A
Predecessor Corporations:	9371-8633 Québec Inc./9371-8633 Québec Inc.
Jurisdiction of Incorporation:	Québec
Registered Office:	311-455 Boul. Fénélon, Dorval, Québec H9S 5T8
Principal Place of Business/ Chief Executive Office:	1175 Boul. Gérard-Cadieux, Salaberry-de-Valleyfield, Québec, J6T 6M1
Issued & Outstanding Shares:	100 common shares
List of Shareholders:	The Green Organic Dutchman Holdings Ltd. (the prior name of BZAM Ltd.) – 100 common shares

**BZAM Holdings Inc.**

Name of Obligor:	BZAM Holdings Inc.
Prior Obligor Names:	N/A
Predecessor Corporations:	N/A
Jurisdiction of Incorporation:	British Columbia
Registered Office:	2900-550 Burrard Street, Vancouver, BC V6C 0A3
Principal Place of Business/ Chief Executive Office:	2900-550 Burrard Street, Vancouver, BC V6C 0A3
Issued & Outstanding Shares:	100 common shares
List of Shareholders:	The Green Organic Dutchman Holdings Ltd. (the prior name of BZAM Ltd.) – 100 common shares

**BZAM Management Inc.**

Name of Obligor:	BZAM Management Inc.
Prior Obligor Names:	N/A
Predecessor Corporations:	N/A
Jurisdiction of Incorporation:	British Columbia
Registered Office:	2900-550 Burrard Street, Vancouver, BC V6C 0A3
Principal Place of Business/ Chief Executive Office:	200 Burrard Street, Suite 1570, Vancouver, BC V6C 3L6
Issued & Outstanding Shares:	100 common shares
List of Shareholders:	BZAM Holdings Inc. – 100 common shares

**BZAM Cannabis Corp.**

Name of Obligor: BZAM Cannabis Corp.  
 Prior Obligor Names: N/A  
 Predecessor Corporations: BZAM Cannabis Corp. and Sweetgrass Inc.  
 Jurisdiction of Incorporation: Alberta  
 Registered Office: 3400, 350 – 7<sup>TH</sup> Avenue SW, Calgary, Alberta T2P 3N9  
 Principal Place of Business/  
 Chief Executive Office: 8770 24 Street NW, Edmonton, Alberta T6P 1X8  
 Issued & Outstanding Shares: 884,700 Class “A” Shares  
 List of Shareholders:

BZAM Holdings Inc.	780,000 Class “A” Shares
Jodi MacDonald	10,000 Class “A” Shares
Derwin Herrera	10,000 Class “A” Shares
1979073 Alberta Ltd.	10,000 Class “A” Shares
Chaucer Investments Ltd.	25,000 Class “A” Shares
2086781 Alberta Ltd.	10,000 Class “A” Shares
1237132 Alberta Ltd.	1,000 Class “A” Shares
William Rutledge	10,000 Class “A” Shares
Gail M. Burke	2,500 Class “A” Shares
Homefolio Inc.	45,000 Class “A” Shares
Ryan Murray	20,000 Class “A” Shares
All Star Ventures Ltd.	3,200 Class “A” Shares
Grant Schneider	2,150 Class “A” Shares
Patrick Leonard	500 Class “A” Shares

**Folium Life Science Inc.**

Name of Obligor: Folium Life Science Inc.  
 Prior Obligor Names: N/A  
 Predecessor Corporations: Folium Life Science Inc. and 1137773 B.C. Ltd.  
 Jurisdiction of Incorporation: British Columbia  
 Registered Office: 2900-550 Burrard Street, Vancouver, BC V6C 0A3  
 Principal Place of Business/  
 Chief Executive Office: 107/109 – 1761 Sean Heights, Saanichton, BC V8M 0A5  
 Issued & Outstanding Shares: 3,600 Class “A” Shares  
 List of Shareholders:



BZAM Holdings Inc.	2,880 Class "A" Shares
Fonda Betts	91.2 Class "A" Shares
Sheldon Kales	54 Class "A" Shares
1244780 B.C. Ltd.	574.8 Class "A" Shares

### **Final Bell Canada Inc.**

Name of Obligor: Final Bell Canada Inc.  
 Prior Obligor Names: N/A  
 Predecessor Corporations: N/A  
 Jurisdiction of Incorporation: Ontario  
 Registered Office: 1100 Bennett Road North, Unit 3, Bowmanville, ON L1C 0Y7  
 Principal Place of Business/  
 Chief Executive Office: 1100 Bennett Road North, Unit 3, Bowmanville, ON L1C 0Y7  
 Issued & Outstanding Shares: 1,000 (see breakdown among classes in chart below)  
 List of Shareholders:

BZAM Ltd.	295 class A (voting) common shares
	295 class B (non-voting) common shares
	30 class C (non-voting) common shares
	100 class D (non-voting) common shares
	100 class E (non-voting) common shares
	30 class F (non-voting) common shares
	100 class G (non-voting) common shares
	20 class H (non-voting) common shares
	30 class I (non-voting) common shares

### **Final Bell Corp.**

Name of Obligor: Final Bell Corp.  
 Prior Obligor Names: Starseed Medicinal Inc. and Mettrum (Bennett North) Ltd.  
 Predecessor Corporations: N/A  
 Jurisdiction of Incorporation: Canada  
 Registered Office: 1100 Bennett Road North, Unit 3, Bowmanville, ON L1C 0Y7  
 Principal Place of Business/  
 Chief Executive Office: 1100 Bennett Road North, Unit 3, Bowmanville, ON L1C 0Y7

Issued & Outstanding Shares: 100 common shares  
List of Shareholders: Final Bell Canada Inc. – 100 common shares

**SCHEDULE “G”****PENDING CORPORATE CHANGES**

Warrants issued by The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) under the indenture dated October 23, 2020 and trading on the CSE under the symbol “BZAM.WA”.

Warrants issued by The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) under the indenture dated December 10, 2020 and trading on the CSE under the symbol “BZAM.WB”.

Warrants issued by The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) under the indenture dated June 12, 2020 and trading on the CSE under the symbol “BZAM.WR”.

Warrants issued by The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) to Maynbridge Capital Inc. in connection with its senior secured loan, repaid on June 22, 2021.

Warrants issued by The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) to Cortland Credit Lending Corporation. in connection with its senior secured loan, repaid on June 22, 2021.

Warrants issued by The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) to Canaccord Genuity Corp. in connection with its financings of The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings).

Escrowed share units, contingent share units, RSUs, and incentive stock options and ESPP issued under BZAM Ltd.’s incentive compensation plans

Common shares to be issued pursuant to a non-brokered private placement announced on May 19 for the issuance of up to 22,222,223 units, consisting of one common share and one warrant to purchase one common share.

The purchase of 9430-6347 Quebec Inc. by Médican Biologique Inc., by way of Share Purchase Agreement between, among others, Médican Biologique Inc. and the Vendors (as defined therein) (the “**Medican SPA**”) dated November 11, 2022. The Medican SPA is currently held in escrow until such time as all purchase conditions are met including receipt of a municipal permit.

Amendment to the articles of incorporation for each of the FBC Obligors to remove any reference to the term “Final Bell” within the name of such entity.

## SCHEDULE “H”

### MATERIAL AGREEMENTS AND MATERIAL PERMITS

#### Material Agreements

1. Standing Offer Contract 1631 between The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) and Alberta Gaming, Liquor and Cannabis Commission dated May 20, 2019
2. Master Cannabis Supply Agreement between The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) and Ontario Cannabis Retail Corporation dated February 6, 2019
3. Data Subscription Agreement between The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) and Ontario Cannabis Retail Corporation dated February 25, 2019
4. Licensed Producer Supply Agreement for Non-Medical Cannabis between The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) and Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Administrator of the Cannabis Distribution Act dated November 7, 2019
5. NLC Cannabis and Cannabis Related Product Supply Agreement between The Green Organic Dutchman Ltd. and Newfoundland and Labrador Liquor Corporation dated November 19, 2019
6. Lettre D’Intention between The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) and Societe Quebequoise du Cannabis dated March 26, 2020
7. Supplier Agreement – Cannabis Products between The Green Organic Dutchman Holdings Ltd. (the prior name of Holdings) and Loblaws Inc. dated March 3, 2020
8. Unanimous Shareholder Agreement (between BZAM LTD., Northwest Confections Canada Inc. and Wyld Glx Corp.
9. Intellectual Property Licence Agreement dated April 15, 2021 between BZAM LTD. and Wyld Glx Corp.
10. Intellectual Property Licence Agreement dated April 15, 2021 between Northwest Confections Canada Inc. and Wyld Glx Corp.
11. Amended and Restated Manufacturing and Distribution Agreement dated August 24, 2021 between BZAM Management Inc. and Wyld Glx Corp.
12. Amending Agreement dated October 18, 2021 between Northwest Confections Canada Inc. and BZAM LTD.
13. Joint Venture between Northwest Confections Canada Inc. (subsidiary of Northwest Commonwealth LLC) and BZAM LTD.
14. Amended and Restated Joint Venture Agreement dated August 24, 2021 between Northwest Confections Canada Inc. and BZAM Management Inc.
15. Contract Grow Agreement dated April 27, 2021 between BZAM Management Inc. (d/b/a BZAM Cannabis), as buyer, and Pure Sunfarms Corp., as seller

16. Purchase Agreement dated May 25, 2022 between BZAM Management Inc. (d/b/a BZAM Cannabis), as buyer, and Medisun Inc., as seller
17. Supply and Purchase Agreement dated April 28, 2023 between BZAM LTD. (d/b/a BZAM Cannabis), as seller, and 4C LABS LTD., as buyer.
18. Supply and Purchase Agreement dated January 4, 2022, between The Green Organic Dutchman LTD., as seller, and Oxygen Handel GmbH., as buyer
19. The Medican SPA
20. The Trademark License and Manufacturing Agreement dated November 2, 2021 and Amending Agreement to the Trademark License and Manufacturing Agreement dated May 5, 2022 between Final Bell Canada Inc. and Aphaea, LLC. (Sherbinskis)
21. The Trademark License and Manufacturing Agreement dated June 17, 2021 between Final Bell Canada Inc. and Little Farma Inc.
22. The Brand License and Manufacturing Agreement dated February 9, 2023 between Final Bell Corp. and Cookies Creative Consulting, LLC.
23. The License and Services Agreement dated November 16, 2023 between Dreamfields Canada Operations Inc. and Final Bell Corp. (Jeeter)
24. The Offtake Supply Agreement dated February 9, 2023 between Final Bell Corp. and Noya Cannabis Inc.
25. The Preroll Input Supply Agreement dated December 22, 2022 between Final Bell Corp. and Noya Cannabis Inc.
26. The License and Services Agreement dated July 14, 2022 between Final Bell Corp. and PAX Labs (Canada) Inc.
27. The Fourth Amended and Restated Manufacturing Services Agreement dated August 25, 2023 between Final Bell Corp. and The Peace Naturals Project Inc.
28. The Amended and Restated Manufacturing Services Agreement dated April 29, 2022 between Final Bell Corp. and Greentec Holdings Ltd.
29. The Contract Manufacturing Agreement dated August 28, 2023 between Final Bell Corp. and Tweed Inc.
30. The Manufacturing Services Agreement dated December 12, 2022 between Final Bell Corp. and Organigram Inc.
31. The Manufacturing Services Agreement dated June 26, 2023 between Atlas Global Brands and Final Bell Corp.
32. The First Amended Manufacturing Services Agreement dated October 24, 2023 between Final Bell Corp. and Bzam Management Inc.
33. The Distribution agreement dated September 26, 2023 between Final Bell Corp. and Maqabim Distributors Ltd.
34. The Distribution Agreement dated July 4 2023 between Final Bell Corp. and Valiant Distribution Canada Inc.

35. The Distribution Agreement dated January 1, 2023 between Final Bell Corp. and 10926671 Canada Ltd. (Open Fields Distribution) (Manitoba)
36. The Distribution Agreement dated January 17, 2023 between Final Bell Corp. and Open Fields Distribution (Saskatchewan)
37. The Cannabis Product Supply Agreement dated April 4, 2022 between Final Bell Corp. and 9374-2187 Qc Inc. dba Medicibus.
38. The Sales, Distribution and Marketing Agreement dated November 11, 2022 between Final Bell Corp. and Rose Lifescience Inc.
39. The Genetic Purchase and Laboratory Services Agreement dated May 5, 2022 between Final Bell Corp. and 101265496 Saskatchewan Ltd. (Mother Labs).
40. The Offtake Supply Agreement dated March 1, 2023 between Final Bell Corp. and Lyonleaf Cannabis Inc.
41. The Processing Services Agreement dated September 17, 2021 between Final Bell Corp. and Cannapiece Corp.
42. The Final Bell Data Sharing Agreement dated July 1, 2022 between Final Bell Corp. and Cannabolic Marketing Corp. (CMC)
43. The Cabanalytics Data License Agreement dated May 1, 2022 between Final Bell Corp. and High Tide Inc.
44. The Data License Agreement dated October 1, 2022 between Final Bell Corp. and TS Programs Ltd.
45. The Amending Agreement to Data License Agreement dated January 1, 2023 between Final Bell Corp. and Hifyre Inc.
46. The Data License Agreement dated May 1, 2023 between Final Bell Corp. and Nova Cannabis Analytics Limited Partnership.
47. The Business Data License Agreement dated May 5, 2023 between Final Bell Corp. and Sparq Retail Cannabis Dispensary & Delivery.
48. Licensed Producer Supply Agreement for Non-Medical Cannabis between Final Bell Corp. and Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Administrator of the Cannabis Distribution Act, SBC 2018, c 28 (BCLDB) dated March 31, 2021.
49. The Master Cannabis Supply Agreement dated June 22, 2021 and Amending Agreement to Master Cannabis Supply Agreement re Insurance Requirements dated March 7, 2023 between Ontario Cannabis Retail Corporation, as purchaser, and Final Bell Corp., as supplier.
50. Cannabis Purchase and Sale Agreement dated September 27, 2022 between Final Bell Corp. and the Yukon Liquor Corporation.
51. The Term Sheet dated October 7, 2023 between Final Bell Corp. and Wagner Dimas.
52. The Leases with respect to the leased real property in Schedule "I".

53. The share purchase agreement dated March 15, 2021 among Starseed Holdings Inc., WeedMD Inc. and Final Bell Canada Inc.

#### Material Permits

1. Health Canada Licence No LIC-CJMMLU7IJN-2022 (cultivation, processing, sale) issued to The Green Organic Dutchman Ltd. Expiring July 20, 2027
2. Health Canada Licence No LIC-MVXNLN8UCN-2020 (Research) issued to The Green Organic Dutchman Ltd., expiring February 12, 2025
3. BZAM Management Inc. Licence LIC-JTUPWJZJ50-2022 under the Cannabis Act (Canada)
4. BZAM Management Inc. Licence LIC-G27V6VI0UJ-2022 under the Cannabis Act (Canada)
5. BZAM Management Inc. Licence LIC-HU7CU4DYAO-2020-5 under the Cannabis Act (Canada)
6. BZAM Cannabis Corp. Licence LIC-J5USTB6Z3V-2022 under the Cannabis Act (Canada)
7. Folium Life Science Inc. Licence LIC-9GRI1YRQEV-2021 under the Cannabis Act (Canada)
8. BZAM Management Inc. Research License LIC-TNCAPN24J9-2022 under the Cannabis Act (Canada)
9. The Green Organic Dutchman Ltd. EUGMP – DE\_BW\_01\_GMP\_2023\_0085 For Ancaster, Jerseyville.
10. Health Canada Licence No. LIC-ZOTV09QHPG-2022 issued to Final Bell Corp., expiring October 27, 2027
11. Health Canada Licence No. LIC-E5FM5PUXBF-2020-5 (Research) issued to Final Bell Corp., expiring February 7, 2025
12. Final Bell Corp. Canada Revenue Agency Cannabis License No. 780639324 RD0001 issued under the Excise Act (Canada) on November 22, 2023
13. AGLC Cannabis Representative Registration issued to Final Bell Corp. on February 13, 2023

**SCHEDULE "I"****REAL PROPERTY**

1. Owned:
  - a. 1915 Jerseyville Road West, Jerseyville, ON L0R 1R0 owned by The Green Organic Dutchman Ltd.
  - b. 8770 24th Street NW, Edmonton, Alberta, T6P 1X8 owned by BZAM Cannabis Corp.
2. Leased:
  - a. 402, 5520 Explorer Drive Mississauga, ON L4W 5L1 leased by The Green Organic Dutchman Holdings Ltd. (the prior name of BZAM Ltd.)
  - b. 311-455 BOUL., Fenelon, Dorval, Quebec H9S 578 leased by Medican Organic Inc.
  - c. 19100 Airport Way, Units 518/519, Pitt Meadows, BC V3Y 0E2 leased by BZAM Management Inc.
  - d. Unit 107/109, 1759 Sean Heights, Saanichton BC, V8M 1X6 leased by BZAM Cannabis Corp.
  - e. 5000 Chemin Murphy, Vaudeuil-Dorion QC, J7V 8P2 leased by 9430-6347 Quebec Inc.<sup>1</sup>
  - f. 1100 Bennett Road North, Units 1-3, Bowmanville, ON L1C 0Y7 subleased by Final Bell Canada Inc.
  - g. 1100 Bennett Road North, Unit 4, Bowmanville, ON L1C 0Y7 leased by Final Bell Corp.
  - h. 1100 Bennett Road North, Unit 5, Bowmanville, ON L1C 0Y7 leased by Final Bell Canada Inc.
3. Warehoused:
  - a. 250 Baseline Road, Bowmanville, ON L1C 1A4, subject to a warehouse agreement by Final Bell Canada Inc.

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<sup>1</sup> Although the Medican SPA remains in escrow pending receipt of a municipal permit and is not yet in effect, Medican Organic Inc. is paying the rent for this leased property on behalf of 9430-6347 Quebec Inc.



**SCHEDULE "J"****PERMITTED ENCUMBRANCES**

1. Lien with registration number 20170906 1631 1862 3892 in favour of Alterna Savings and Credit Union Limited as against The Green Organic Dutchman Holdings Ltd. with respect to assignment of term deposits and credit balances.
2. Lien with registration number 20180410 1610 1532 1077 in favour of Bank of Montreal as against The Green Organic Dutchman Holdings Ltd. with respect to a short-term investment certificate n/o 0002-9631-033 in the principal amount of \$100,000.
3. Lien with registration number 20191025 1616 1626 1771 in favour of Alterna Savings and Credit Union Limited as against The Green Organic Dutchman Holdings Ltd. with respect to a term deposits #8 and #9 for letters of credit in the amount of \$35,000 and \$455,500, plus interest accrued on such term deposits.
4. Existing BZAM Edmonton Property Charge.

## SCHEDULE "K"

## ACCREDITED INVESTOR CERTIFICATE

**TO: BZAM Ltd. (the "Corporation")**

You (the undersigned accredited investor) represent and warrant to the Corporation that you are an "**accredited investor**" as defined in section 73.3 of the *Securities Act* (Ontario), on the basis that you fit within the category of accredited investor which you have indicated below.

You represent and warrant that you are: {please initial the applicable item, complete the relevant information and sign this certificate}

- \_\_\_\_\_ (a) a Schedule I, II or III bank, or a Canadian financial institution
- \_\_\_\_\_ (b) the Business Development Bank of Canada
- \_\_\_\_\_ (c) a subsidiary of any person referred to in paragraph (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary
- \_\_\_\_\_ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer
- \_\_\_\_\_ (e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d)
- \_\_\_\_\_ (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador)
- \_\_\_\_\_ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada
- \_\_\_\_\_ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec
- \_\_\_\_\_ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government
- \_\_\_\_\_ (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada
- \_\_\_\_\_ (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000

*{Note: Financial assets include cash and securities, but do not include a personal residence – see the definition of "financial assets" later in this certificate. Financial assets are generally liquid or relatively easy to liquidate.*

*You must subtract any liabilities related to your financial assets to calculate your net financial assets—see the definition of “related liabilities”. Financial assets held in a group RRSP under which you do not have the ability to acquire the financial assets and deal with them directly are not considered to be beneficially owned by you.*

- \_\_\_\_\_ (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5,000,000

*{Note: The financial assets of your spouse (including financial assets in a spousal RRSP) cannot be included in the calculation of net financial assets under this paragraph (j.1).}*

- \_\_\_\_\_ (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year

- \_\_\_\_\_ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000

*{Note: To calculate net assets, take the value of your total assets (which may include a personal residence) and subtract your total liabilities (which may include a mortgage). The value attributed to assets should reasonably reflect their estimated fair value. Income tax should be considered a liability if the obligation to pay it is outstanding at the time of the subscription.}*

- \_\_\_\_\_ (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements

- \_\_\_\_\_ (n) an investment fund that distributes or has distributed its securities only to:
- (i) a person that is or was an accredited investor at the time of the distribution;
  - (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 (Minimum amount investment), or 2.19 (Additional investment in investment funds) of NI 45-106; or
  - (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 (Investment fund reinvestment) of NI 45-106

- \_\_\_\_\_ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt

- \_\_\_\_\_ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction,

acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be

- \_\_\_\_\_ (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction
- \_\_\_\_\_ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded
- \_\_\_\_\_ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function
- \_\_\_\_\_ (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors

*{Note: If you have initialed this paragraph (t), name each owner of an interest, and indicate the category of accredited investor into which that person fits (by reference to the paragraph numbers in this ●). If a person named below is a director required by law to own a voting security, and that person is not an accredited investor, indicate "director" under Category.}*

Name	Category
_____	_____
_____	_____
_____	_____
_____	_____

- \_\_\_\_\_ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser
- \_\_\_\_\_ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor
- \_\_\_\_\_ (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse

*{Note: If you have initialed this paragraph (w), name the person who established the trust and each trustee, and indicate the category of accredited investor into which that person fits (by reference to the paragraph numbers in this ●.). If a person named below is not an accredited investor, indicate "N/A" under Category.}*

	Name	Category
Person who established trust:	_____	_____
Trustee:	_____	_____
Trustee:	_____	_____
Trustee:	_____	_____

Signatures	
Name of accredited investor:	CORTLAND CREDIT LENDING CORPORATION
Signature of authorized signatory/agent on behalf of accredited investor:	
Name and official capacity or title of authorized signatory/agent:	
Date:	

As used in this certificate, the following terms have the following meanings.

**"Canadian financial institution"** means:

- (a) an association governed by the *Cooperative Credit Associations Act (Canada)* or a central cooperative credit society for which an order has been made under section 473(1) of that Act; and
- (b) in Ontario, also means a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative or credit union league or federation that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario, as the case may be; and
- (c) outside of Ontario, also means a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.

**"eligibility adviser"** means:

- (a) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed; and
- (b) in Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a

member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not:

- (i) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders or control persons; and
- (ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months.

**“executive officer”** means, for an issuer, an individual who is:

- (a) a chair, vice-chair or president;
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
- (c) performing a policy-making function in respect of the issuer.

**“financial assets”** means:

- (a) cash;
- (b) securities; or
- (c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation.

**“foreign jurisdiction”** means a country other than Canada or a political subdivision of a country other than Canada.

**“founder”** means, in respect of an issuer, a person who:

- (a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer; and
- (b) at the time of the distribution or trade is actively involved in the business of the issuer.

**“fully managed account”** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client’s express consent to a transaction.

**“investment fund”** has the same meaning as in National Instrument 81-106 — Investment Fund Continuous Disclosure and means a mutual fund or a non-redeemable investment fund.

**“jurisdiction of Canada”** means a province or territory of Canada.

**“non-redeemable investment fund”** means an issuer:

- (a) whose primary purpose is to invest money provided by its securityholders;
- (b) that does not invest:

- (i) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund; or
  - (ii) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund; and
- (c) that is not a mutual fund.

**“person”** includes:

- (a) an individual;
- (b) a corporation;
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and
- (d) an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative.

**“related liabilities”** means:

- (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets; or
- (b) liabilities that are secured by financial assets.

**“spouse”** means an individual who:

- (a) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual;
- (b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender; or
- (c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta).

**“subsidiary”** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

This is Exhibit "10" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #:85519T



**DIP FACILITY AGREEMENT**

2024. **THIS AGREEMENT** (the "**Agreement**") is made this 28<sup>th</sup> day of February,

**A M O N G:**

**Cortland Credit Lending Corporation, in its capacity as administrative agent (the "Agent") for and on behalf of the lenders party hereto from time to time (the "Lenders")**

-and-

**The Green Organic Dutchman Ltd. (the "Borrower")**

-and-

**BZAM Ltd. ("BZAM")**

-and-

**BZAM Holdings Inc. ("BZAM Holdings")**

-and-

**BZAM Management Inc. ("BZAM Management")**

-and-

**BZAM Cannabis Corp. ("BZAM Cannabis")**

-and-

**Folium Life Science Inc. ("Folium Life")**

-and-

**102172093 Saskatchewan Ltd. ("102")**

-and-

**Medican Organic Inc. ("Medican")**

-and-

**High Road Holding Corp. (f/k/a Final Bell Canada Inc., "High Road")**

-and-

**Final Bell Corp.** ("**Final Bell**", and, together with BZAM, BZAM Holdings, BZAM Management, BZAM Cannabis, Folium Life, 102, Medican and High Road, collectively, the "**Guarantors**" and the Guarantors, together with the Borrower, collectively, the "**Credit Parties**")

**RECITALS:**

**WHEREAS** the Agent and certain of the Credit Parties are either parties to or obligors under, as applicable, a Credit Agreement made as of March 31, 2020, as amended by a first amendment dated May 27, 2020, a second amendment dated October 1, 2020 and a third amendment dated July 30, 2021 (as amended, the "**Original Credit Agreement**");

**AND WHEREAS** the Agent and certain of the Credit Parties amended and restated the Original Credit Agreement in its entirety by way of an amended and restated credit agreement dated September 29, 2021, as amended by a first amendment dated November 30, 2021, a second amendment dated March 9, 2022, a third amendment dated April 29, 2022, a fourth amendment dated November 3, 2022, a fifth amendment dated June 30, 2023, and a sixth amendment dated August 30, 2023 (as amended, the "**First ARCA**");

**AND WHEREAS** the Borrower and the Lenders amended and restated the First ARCA in its entirety by way of a second amended and restated credit agreement (the "**Second ARCA**") dated January 8, 2024;

**AND WHEREAS** to secure the obligations of the applicable Credit Parties to the Agent under the Second ARCA and the other Transaction Documents, the applicable Credit Parties granted Security Agreements in favour of the Agent;

**AND WHEREAS** the Credit Parties have advised the Agent that they intend to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**") on a date to be set (the "**Filing Date**") by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") to seek, among other things, the granting of an initial order (the "**Initial Order**") and the appointment of FTI Consulting Canada Inc. as monitor (if appointed, the "**Monitor**");

**AND WHEREAS** the obligations of certain of the Credit Parties pursuant to or in connection with the Second ARCA (including without limitation, all outstanding Loan Advances and all interest and fees thereon or in connection therewith) are hereinafter referred to collectively as the "**Cortland Pre-Filing Obligations**";

**AND WHEREAS** commencement of the CCAA Proceedings will constitute an Event of Default (as defined in the Second ARCA) (the "**CCAA Event of Default**") under the Second ARCA;

**AND WHEREAS** the Credit Parties have requested, and the Agent has agreed, to provide certain debtor-in-possession ("**DIP**") financing to the Credit Parties pursuant to a DIP facility (the "**DIP Facility**") during the CCAA Proceedings on the terms and conditions contained herein;

**NOW THEREFORE** in consideration of the respective covenants of the parties hereto herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties hereto agree as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Definitions**

In this Agreement, unless the context otherwise requires, all terms defined in the Second ARCA and not otherwise defined herein shall have the respective meanings ascribed to them in the Second ARCA.

### **1.2 Gender and Number**

Words importing the singular include the plural and vice versa and importing gender include all genders.

### **1.3 Severability**

Each of the provisions contained in this Agreement is distinct and severable, and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Agreement.

### **1.4 Headings**

The division of this Agreement into sections and the insertion of headings, articles, sections and clauses are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

### **1.5 Entire Agreement**

Except for the Transaction Documents and the additional documents provided for herein, this Agreement constitutes the entire agreement of the parties and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, relating to the subject matter hereof. This Agreement may not be amended or modified except by written consent executed by all of the parties hereto. No provision of this Agreement will be deemed waived by any course of conduct unless such waiver is in writing and signed by all of the parties hereto, specifically stating that it is intended to modify this Agreement.

### **1.6 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and federal the laws of Canada applicable therein.

### 1.7 Currency

Unless otherwise stated, all dollar amounts referenced are in Canadian dollars.

### 1.8 Attornment

The parties hereto irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario for all matters arising out of or in connection with this Agreement.

### 1.9 Conflicts

If there is any inconsistency or conflict between the terms of this Agreement and the terms of the Transaction Documents, the provisions of this Agreement shall prevail to the extent of the inconsistency, but the foregoing shall not apply to limit or restrict, in any way, the rights and remedies of the Agent under this Agreement, the Transaction Documents, the CCAA, the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), the PPSA, other applicable law, or otherwise, other than as may be specifically contemplated herein.

### 1.10 Discretion and Consent

Any reference herein to the exercise of discretion by the Agent (including phrases such as "in the discretion of", "in the opinion of", "to the satisfaction of" and similar phrases) shall mean that such discretion is absolute and unfettered and shall not imply any obligation to act reasonably, unless otherwise expressly stated herein.

Any consent made or to be given by the Agent hereunder must be made or given expressly in writing. For greater certainty no consent on the part of the Agent shall be implied solely by receipt by the Agent of an updated Budget and/or Variance Report (each as defined below), as applicable.

## ARTICLE 2 REPRESENTATIONS AND WARRANTIES

Each of the Credit Parties hereby represents and warrants to the Agent as follows:

- 2.1 The facts set out in the recitals to this Agreement are true and accurate in substance and in fact.
- 2.2 Each Credit Party is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary.
- 2.3 Subject to Court approval, each Credit Party has all requisite corporate power and authority to (i) own and operate its properties and assets and to develop, own and operate its business, and (ii) enter into and perform its obligations under this Agreement and each other Transaction Document to which it is a party.

- 2.4** The execution and delivery by each Credit Party of this Agreement and each other Transaction Document to which it is a party and the performance by each of them of their respective obligations hereunder and thereunder have been duly authorized by all necessary corporate action and, other than Court approval, no authorization under any applicable law, and no registration, qualification, designation, declaration or filing with any governmental authority, is or was necessary therefor, other than filings which may be made to register or otherwise record the DIP Charge (as defined below).
- 2.5** This Agreement and each of the other Transaction Documents to which it is a party has been duly executed and delivered by it and, subject to Court approval, constitutes a legal, valid and binding obligation of each Credit Party, enforceable against it in accordance with its terms, subject only to any limitation under Applicable Laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; (ii) the discretion that a court may exercise in the granting of equitable remedies; (iii) the Initial Order (as may be amended and restated from time to time) and any other Order of the Court.
- 2.6** The Collateral (i) is owned by or licensed to the Credit Parties and is only located at the locations disclosed in writing to the Agent; (ii) has not been sold, leased or otherwise disposed of other than inventory in the ordinary course of business; and (iii) is not subject to any rights of any person or entity other than Permitted Encumbrances and the CCAA Charges (as defined below).
- 2.7** The execution and delivery by each Credit Party of this Agreement and the other Transaction Documents to which it is a party and the performance by each Credit Party of their respective obligations hereunder and thereunder and compliance with the terms, conditions and provisions hereof and thereof, will not conflict with or result in a breach of (i) its constating documents or by-laws; or (ii) subject to Court approval, any applicable law.
- 2.8** The business operations of each Credit Party has been and will continue to be conducted in compliance with all laws of each jurisdiction in which business has been or is being carried on.
- 2.9** Each Credit Party has obtained all licenses and permits required for the operation of its business, which licenses and permits remain in full force and effect. No proceedings have been commenced or, to the knowledge of the Credit Parties, threatened to revoke or amend any of such licenses or permits.
- 2.10** Except as set out in Schedule "C", the Collateral is not subject to any Lien except for the Permitted Encumbrances and each Credit Party has made all source deductions required by Applicable Law.
- 2.11** Except as set out in Schedule "D", each Credit Party has filed or caused to be filed all tax returns and reports which are required to have been filed and has paid or caused to be paid all taxes required to have been paid by it, except taxes that are being contested in good faith by appropriate proceedings and for which adequate cash reserves are being maintained.

- 2.12** Except as set out in Schedule "E", other than the CCAA Proceedings, there are no actions, suits or proceedings (including any tax-related matter) by or before any arbitrator or governmental authority or by any other person pending against or, to the knowledge of each Credit Party, threatened against or affecting any Credit Party.
- 2.13** (i) Each Credit Party is and has been in compliance with all applicable environmental laws, including obtaining, maintaining and complying with all permits required by any applicable environmental law, (ii) no Credit Party is party to, and no real property currently or previously owned, leased or otherwise occupied by or for any Credit Party is subject to or the subject of, any contractual obligation or any pending or, to the knowledge of the Credit Parties, threatened order, action, investigation, suit, proceeding, audit, claim, demand, dispute or notice of violation or of potential liability or similar notice under or pursuant to any environmental law which could reasonably be expected to result in a remedial obligation having a Material Adverse Change, (iii) no Lien in favour of any Governmental Authority securing, in whole or in part, environmental liabilities has attached to any property of the Credit Parties and no facts, circumstances or conditions exist that could reasonably be expected to result in any such Lien attaching to any such property, (iv) no Credit Party has caused or suffered to occur a release of any hazardous substances or conditions creating any potential for such a release at, to or from any real property other than in compliance with environmental laws and except when failure to do so could not reasonably be expected to result in a Material Adverse Change, (v) no Credit Party has engaged in operations that, and no facts, circumstances or conditions exist that, in the aggregate, would have a reasonable likelihood of resulting in material environmental liabilities, and (vi) each Credit Party has made available to the Agent copies of all existing environmental reports, reviews and audits and all documents pertaining to actual or potential environmental liabilities, in each case to the extent such reports, reviews, audits and documents are in its possession, custody or control.
- 2.14** Each Credit Party maintains insurance policies and coverage which (i) is sufficient for compliance with Applicable Law and all Material Agreements to which a Credit Party is a party and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons engaged in the same or similar business to the assets and operations of the Credit Parties.
- 2.15** All information provided by or on behalf of the Credit Parties to the Agent for the purposes of or in connection with this Agreement, the other Transaction Documents or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and remains true as of the date provided and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided.

### **ARTICLE 3 THE DIP FACILITY**

In reliance upon the Acknowledgement and the acknowledgements, representations, warranties, confirmations, covenants and agreements of the Credit Parties contained in this Agreement and

subject to the terms and conditions of this Agreement and any documents executed in connection herewith, the Agent agrees to make the DIP Facility available to the Borrower during the CCAA Proceedings on the following terms and conditions.

### **3.1 The DIP Facility**

Notwithstanding any other term or condition of the Second ARCA, and subject to satisfaction of the terms and conditions of this Agreement, the Agent, on behalf of the Lenders, agrees to provide the Borrower with the DIP Facility as set forth in this section:

- (a) The maximum principal amount under the DIP Facility shall not, at any time, exceed the lesser of (i) \$41,000,000 (the "**Facility Limit**"), and (ii) the Revolving Facility Limit plus \$7,000,000; provided that at no point in time will the Cortland Pre-Filing Obligations and Post-Filing Obligations, either individually or in the aggregate, exceed the Facility Limit;
- (b) all amounts advanced by the Agent on behalf of the Lenders following the Filing Date shall be in respect of the DIP Facility;
- (c) all amounts advanced under the DIP Facility shall be used by the Borrower to fund its working capital needs (including restructuring expenses and any pre-filing obligations permitted by Court order and approved by the Agent) during the CCAA Proceedings and shall in no circumstances be used to fund any Cortland Pre-Filing Obligations; and
- (d) the Borrower may request advances from time to time under the DIP Facility by delivering an advance request certificate, in the form attached as Schedule "B" (each such request, an "**Advance Request**" and each such certificate, an "**Advance Request Certificate**"), not less than one Business Day before the date of the requested advance; provided that the initial advance request certificate need not be required one Business Day before the date of the requested advance.

Notwithstanding the foregoing, the Borrower hereby authorizes and directs the Agent and the Lenders to make one or more advances under this Agreement (for greater certainty, without the requirement for the Borrower to deliver an Advance Request Certificate) in order to pay or otherwise satisfy any liens or other payables which rank (or are reasonably likely to rank) in priority to the Agent's Liens.

### **3.2 Interest Rate and Fees**

- (a) The applicable Interest Rate on all amounts advanced under the DIP Facility shall be the greater of: (i) the TD Prime Rate plus 8.05% per annum; and (ii) 12% per annum, and will be due and payable in cash on the first Business Day of each month covering interest accrued over the past calendar month. Unless otherwise provided for herein, interest on any amount due hereunder shall be calculated daily and not in advance on the basis of a 365-day year. For the purposes of the *Interest Act* (Canada) in the case of a leap year, the annual interest rate corresponding to the interest calculated on the basis of a 365-day year is equal to the interest rate thus

calculated multiplied by 366 and divided by 365. Any amount of principal, interest commission, discount, or any other nature remaining unpaid at maturity, shall bear interest at the rate provided for herein, being understood that the said interest rate on arrears shall not exceed the maximum rate provided by law. Interest on arrears shall be compounded monthly and payable on demand.

- (b) The Borrower shall pay to the Agent a commitment fee equal to \$98,000, which fee shall be payable by the Borrower to the Agent upon issuance of the Initial Order. Such fee will be paid from the initial advance.

### **3.3 Mandatory Repayments**

Following the Filing Date, all Post-Filing Collections (as defined below) will be applied against the Cortland Pre-Filing Obligations of the Credit Parties to the Agent, for and on behalf of the Lenders, unless otherwise directed by the Agent.

Subject to the priority of the Administration Charge, if a Credit Party (a) disposes, transfers or sells any Collateral outside the ordinary course of business, or (b) sells the shares/equity interests of any wholly owned or non-wholly owned subsidiary of a Credit Party, the proceeds of sale (net only of usual closing adjustments), up to the total amount of the Credit Parties' indebtedness to the Agent and the Lenders under the DIP Facility and the Second ARCA, shall be paid to the Agent and applied by the Agent against the indebtedness owing to the Lenders under the DIP Facility. Any such repayment by a Credit Party shall constitute a permanent reduction of the availability and commitment under the DIP Facility.

### **3.4 Conditions Precedent**

The obligation of the Lenders to make the DIP Facility available to the Borrower and to fund each advance under the DIP Facility is subject to and conditional upon satisfaction (or waiver by the Agent) of the following conditions precedent:

- (a) the Agent shall have received a copy of this Agreement executed by each of the Credit Parties;
- (b) the Agent shall have received and be satisfied with the Budget, and all such other information (financial or otherwise) reasonably requested by the Agent;
- (c) no Event of Default (as defined herein) shall exist, and no event or circumstance which could reasonably be expected to result in a Material Adverse Change shall have occurred;
- (d) there shall not be pending any litigation or other proceeding, other than the CCAA Proceedings, the result of which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Change or form the basis for an appeal of the Initial Order;



- (e) all Court materials and documents prepared by the Credit Parties in connection with the CCAA Proceedings, including any service list shall be in form and substance satisfactory to the Agent;
- (f) the Initial Order shall be in form and substance satisfactory to the Agent;
- (g) the Initial Order (or any amended and restated Initial Order) approving the DIP Facility, the granting of the DIP Charge, and all related transactions shall have been issued and entered and be in full force and effect and shall not have been reversed, vacated, or stayed, subject to appeal or modified or superseded or negatively impacted in any way without the Agent's prior written consent, and all necessary consents and approvals to the transaction contemplated in this Agreement and in the Initial Order shall have been obtained to the satisfaction of the Agent;
- (h) payment by the Credit Parties to the Agent of all reasonable and documented expenses incurred by the Agent or the Lenders in connection with the DIP Facility (including the negotiation, ongoing monitoring and any costs of enforcement);
- (i) the Agent shall have received a Borrowing Base Certificate;
- (j) in connection with an Advance Request, the Agent shall have received an Advance Request Certificate accompanied by a Borrowing Base Certificate;
- (k) each of the representations and warranties made by the Credit Parties to the Agent in this Agreement shall be true and correct in all material respects; and
- (l) approval by the Agent of the Credit Parties' most recent cash flow forecast, prepared in the form of the Budget.

### **3.5 Terms of Initial Order**

The Initial Order shall be in form and substance satisfactory to the Agent, including provisions addressing (among other things) the following:

- (a) approval of the financing provided for in this Agreement (including the DIP Facility);
- (b) the continuation of the Credit Parties' existing cash management arrangements;
- (c) authorization and direction for the Borrower and the other Credit Parties to make all payments of principal, interest, fees, and expenses under this Agreement to the Agent for and on behalf of the Lenders;
- (d) the DIP Charge;
- (e) an administration charge in the amount of \$500,000 (which shall increase to \$1,000,000 under the amended and restated Initial Order) which ranks prior to the

DIP Charge and the Agent's security pursuant to the Transaction Documents (the "**Administration Charge**");

- (f) a directors' and officers' charge in the amount of \$5,300,000 (which shall increase to \$12,900,000 under the amended and restated Initial Order) which ranks subsequent to the DIP Charge and the Agent's security pursuant to the Transaction Documents, including for greater certainty, the Cortland Pre-Filing Obligations (the "**D&O Charge**"); and
- (g) that the Agent shall be treated as unaffected in any plan of arrangement or compromise filed by or in respect of the Credit Parties under the CCAA, or under any proposal filed by or in respect of the Credit Parties under the BIA, with respect to any Post-Filing Obligations (as defined below).

### **3.6 Budget**

The Borrower shall provide the Agent with a thirteen (13) week cash-flow forecast reviewed by the Monitor and in form and substance satisfactory to the Agent (the "**Initial Budget**"). The Initial Budget shall reflect on a line-item basis, among other things, a borrowing base calculation reflecting the amount of availability, anticipated cash flow, cash receipts and disbursements, and sales. The Initial Budget and the proposed use of funds provided for therein shall be in substance satisfactory to the Agent. The Initial Budget and any subsequent Budget may only be amended and modified with the prior written consent of the Agent (the Initial Budget, as so amended and modified from time to time with the prior written consent of the Agent, is referred to herein as the "**Budget**"). The Initial Budget to May 25, 2024 is attached hereto as Schedule "A".

### **3.7 DIP Charge**

- (a) All advances made by the Agent and the Lenders to the Borrower under the DIP Facility, and all obligations, indebtedness, fees (including professional fees), costs, and expenses of the Agent and the Lenders under this Agreement and the DIP Facility (collectively, the "**Post-Filing Obligations**") shall constitute obligations and shall be secured by:
  - (i) a super-priority DIP charge (the "**DIP Charge**") on all of the existing and after-acquired real and personal property of the Credit Parties as provided for herein and in the Initial Order; and
  - (ii) the existing security and guarantees in favour of the Agent under the Transaction Documents;

provided that with respect to the BZAM Edmonton Property, the DIP Charge shall rank subordinate to the Existing BZAM Edmonton Property Charge.

- (b) For certainty, the DIP Charge shall not secure any Cortland Pre-Filing Obligations.

### 3.8 Existing Cash Management System/Cash Receipts to the Agent

The Initial Order shall, among other things, authorize and direct the Credit Parties to continue to use the central cash management system currently in place or replace it with another substantially similar central cash management system. Each of the Credit Parties will provide evidence to the Agent that it has directed each financial institution with which it maintains a deposit account into which payments are received from its Account Debtors (collectively, "**Post-Filing Collections**") to transfer on a weekly basis, at the Credit Parties' cost and expense, all such Post-Filing Collections to an account maintained by the Agent. The Agent shall apply the Post-Filing Collections to repay the Cortland Pre-Filing Obligations.

### 3.9 Additional Reporting

In addition to all other existing reporting requirements set out in the Second ARCA (to the extent not otherwise dealt with in this Agreement), the Borrower shall provide to the Agent:

- (a) on a weekly basis within four (4) Business Days after the end of each week during the CCAA Proceedings an executed Borrowing Base Certificate duly completed in all material respects consistent with past practice, plus all backup information requested by the Agent; and
- (b) on a bi-weekly basis within six (6) Business Days after the end of each bi-weekly period during the CCAA Proceedings:
  - (i) a report comparing the Credit Parties' actual performance to that projected in the Budget for the given bi-weekly period (each, a "**Variance Report**"), specifically identifying any negative variances in excess of ten percent (10%), with a minimum floor variance of \$500,000 (unless otherwise agreed to by the Agent), in respect of the actual cumulative net cash flow against the forecasted cumulative net cash flow in the Budget (an "**Adverse Negative Variance**") and providing a detailed explanation for same; provided, however, that the calculation of an Adverse Negative Variance shall not take into account Professional Expenses in excess of what is forecasted in the Initial Budget or the Budget, as applicable.
  - (ii) updating the Budget to account for actual performance by the Credit Parties for the previous week and rolling forward by two (2) additional weeks cash flow projections set forth in the last updated Budget; and
  - (iii) such other information as the Agent may reasonably request.

### 3.10 Status Calls

During the CCAA Proceedings, upon request from the Agent from time to time, the Borrower shall arrange and participate in conference calls with the Agent and the Monitor to discuss the performance of the Borrower and the other Credit Parties, any updated Budgets, Variance Reports

(including any Adverse Negative Variances), updates for future weeks, and any other matters the Agent may reasonably raise.

### **3.11 CCAA Proceedings and Other Materials to be Provided to Agent**

The Borrower shall deliver to the Agent drafts of all Court materials and documents prepared by the Credit Parties in connection with the CCAA Proceedings, and shall provide the Agent with a reasonable opportunity to comment thereon prior to filing and ensure the same are acceptable to the Agent, acting reasonably.

### **3.12 Compliance with Transaction Documents**

Each of the Credit Parties shall strictly adhere to all of the terms, conditions and covenants of this Agreement and the Transaction Documents (to the extent not otherwise dealt with in this Agreement), including, without limitation, terms requiring prompt payment of principal, interest, fees, and other amounts when due.

### **3.13 Covenants**

Each Credit Party covenants and agrees with the Agent that it shall:

- (a) pay all sums of money when due under the terms of this Agreement;
- (b) immediately advise the Agent of any event which constitutes an Event of Default;
- (c) file all tax returns which are or will be required to be filed by it;
- (d) pay or make provision for the payment of all taxes and source deductions (including interest and penalties) which will become due and payable after the commencement of the CCAA Proceedings;
- (e) comply in all respects with all Applicable Laws, including all environmental laws;
- (f) immediately advise the Agent of any material action requests or material violation notices and hold the Agent harmless from and against any losses, costs or expenses which the Agent may suffer or incur for any environment related liabilities existing now or in the future with respect to it;
- (g) immediately advise the Agent of any unfavourable change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of this Agreement;
- (h) keep its assets fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils;
- (i) at reasonable times and upon reasonable notice (provided that upon the occurrence of an Event of Default, the Agent (including any potential assignee, participant or

lender) is permitted to do the following at any time and without notice, subject to the Initial Order) permit the Agent (including any potential assignee, participant or lender) or its representatives, during normal business hours, subject to any Applicable Laws governing the Credit Parties' business, (i) to visit and inspect a Credit Party's premises, properties and assets and examine and obtain copies of such Credit Party's records or other information, and (ii) to discuss such Credit Party's affairs with the auditors (if any) of such Credit Party (in the presence of such Credit Party's representatives as it may designate). Each Credit Party hereby authorizes and directs any such third party to provide to the Agent (including any potential assignee, participant or lender) or its representatives all such information, records or documentation reasonably requested by the Agent;

- (j) except for Permitted Encumbrances and the CCAA Charges, not, without the prior written consent of the Agent, grant, create, assume or suffer to exist any Lien or other encumbrance affecting any of its properties, assets or other rights;
- (k) not incur any borrowings or other indebtedness, obligations or liabilities, other than Permitted Indebtedness;
- (l) not, without the prior written consent of the Agent, sell, transfer, convey, lease or otherwise dispose of any of its assets, properties or undertakings other than in the ordinary course of business and on arm's-length, commercially reasonable terms; provided that, for greater certainty, no Credit Party shall enter into any sale (or similar) transaction pursuant to a sale and investment solicitation process or otherwise without that prior written consent of the Agent, save and except for a transaction that provides for payment in cash on closing of the Cortland Pre-Filing Obligations and the Post-Filing Obligations in full;
- (m) not, without the prior written consent of the Agent, sell the shares/equity interests of any wholly owned or non-wholly owned subsidiaries of any Credit Party;
- (n) not, without the prior written consent of the Agent, provide any guarantees, financial assistance or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other Person, other than Permitted Indebtedness;
- (o) not, without giving the Agent fifteen (15) days' prior notice in writing and obtaining the Agent's written consent, merge, amalgamate, or otherwise enter into any other form of business combination with any other Person. In the event the Agent gives its consent, it will cause any such resulting Person to become a borrower or guarantor, as applicable, hereunder and to grant such security and enter into such agreements as the Agent may require;
- (p) not pay any dividends, other corporate distributions, interest or principal on any secured or unsecured debt, or make any disbursement of any kind other than as contemplated by the Budget;
- (q) not acquire or move any Collateral to any jurisdiction outside the Province of Ontario or any other jurisdiction where the Agent has perfected its security over such Collateral without first executing and delivering all such security and other documentation and completing all registrations, recordings and filings to grant in

favour of the Agent a first-ranking security interest in such Collateral and to render effective the security interest granted thereby, all in form and substance satisfactory to the Agent;

- (r) notify the Agent within three (3) Business Days of any Account Debtor notifying such Credit Party that they are contesting any invoice;
- (s) fully cooperate with each party conducting any field exam or due diligence on behalf of the Agent and will permit and reimburse the Agent for all reasonable and documented costs associated with any appraisals;
- (t) pay only those expenditures set out in the Budget, or such other expenditures the Agent and Monitor consent to in writing;
- (u) provide to the Agent, on a weekly basis, a list of payments, disbursements and transfers of money proposed to be made by each of the Credit Parties during the following week and will make only those payments, disbursements and transfers that are set out in the Budget or otherwise consented to by the Agent;
- (v) not create or grant any security (other than the DIP Charge, the Administration Charge, the D&O Charge and any charge (which shall rank subordinate to the DIP Charge and the Agent's security pursuant to the Transaction Documents, including for greater certainty, the Cortland Pre-Filing Obligations) to secure a break fee and expense reimbursement in favour of a stalking horse bidder in any sale and investment solicitation process approved by the Court (collectively, the "**CCAA Charges**") over any of the Collateral, whether ranking in priority to, *pari passu* or subordinate to the DIP Charge, without the prior consent of the Agent;
- (w) provide the Agent with any financial or other information reasonably requested by the Agent;
- (x) within two (2) Business Days of the receipt by any Credit Party of the same, deliver to the Agent a copy of any notice of motion, pleading or application to vary, supplement, revoke, terminate or discharge the Initial Order including (without limitation) any application to the Court for the granting of security that will or may have priority over the DIP Charge, or otherwise for the variation of the priority of the DIP Charge; and
- (y) prevent the Cortland Pre-Filing Obligations and Post-Filing Obligations, either individually or in the aggregate, from exceeding the Facility Limit

### **3.14 Events of Default**

The occurrence of any one or more of the following events shall constitute an event of default under this Agreement (collectively, the "**Events of Default**"):

- (a) Any Credit Party fails to make payment of any amount, whether on account of principal, interest or otherwise, when due pursuant to the terms of this Agreement;

- (b) without the consent of the Agent, the occurrence of any Adverse Negative Variance;
- (c) entry of an order which stays, modifies (other than extensions of the Initial Order), or reverses the Initial Order or which otherwise materially adversely affects the effectiveness of the Initial Order without the express written consent of the Agent;
- (d) the entry of any order without the prior written consent of the Agent which provides relief from the automatic stay made under the Initial Order or the CCAA which permits any creditor to realize upon, or to exercise any right or remedy with respect to, any asset of any Credit Party or to terminate any license, franchise, or similar agreement, where the exercise of such right or remedy or such realization or termination would reasonably be likely to result in a Material Adverse Change as determined by the Agent;
- (e) the filing of any application, motion or other request by any Credit Party without the express prior written consent of the Agent for the approval of any super-priority claim or debtor in possession financing in the CCAA Proceedings which is *pari passu* with or senior to the priority of the DIP Charge (other than the Administration Charge and the D&O Charge), or there shall arise any such super-priority claim under the CCAA;
- (f) the payment or other discharge by any Credit Party of any pre-filing indebtedness, except as expressly permitted hereunder, or generally permitted within the category and range in the Budget or by order in the CCAA Proceedings, to which payment or discharge the Agent has not provided its written prior consent;
- (g) the failure of any Credit Party (i) to materially comply with each and all of the terms and conditions of the Initial Order, or (ii) to materially comply with any other order entered in the CCAA Proceedings, if such failure would reasonably likely result in a Material Adverse Change as determined by the Agent;
- (h) (i) the filing of any motion by any Credit Party or the entry of any order in the CCAA Proceedings: (A) permitting any financing (other than ordinary course trade credit or unsecured debt) for any Credit Party from any Person other than the Agent, (B) granting a Lien on, or security interest in any of the Collateral of any Credit Party equal or superior status to that of the DIP Charge, other than with respect to this Agreement or as otherwise permitted herein, or (C) dismissing the CCAA Proceedings, or (ii) the filing of any motion by any Person (other than a Credit Party) regarding matters specified in the foregoing clause (i) that is not immediately stayed and dismissed or denied within thirty (30) days of the date of the filing of such motion, provided that if any Credit Party is unsuccessful in contesting any such Claim, that shall automatically constitute an Event of Default;
- (i) the commencement of any claim, action, proceeding, application, motion, defense or other contested matter (collectively, a “**Claim**”) that is not being contested by any Credit Party, the purpose of which is to seek or the result of which would be to

obtain any order, judgment, determination, declaration or similar relief: (i) invalidating, setting aside, avoiding, or subordinating the obligations of any Credit Party under this agreement, the DIP Charge or its priority, (ii) for monetary, injunctive or other relief against the Agent, the Lender or the Collateral, or (iii) preventing, hindering or otherwise delaying the exercise by the Agent of any of its rights and remedies hereunder, pursuant to the Initial Order or under applicable law, or the enforcement or realization by the Agent against any of its collateral, provided that if any Credit Party is unsuccessful in contesting any such Claim, that shall automatically constitute an Event of Default;

- (j) the filing of any proposal, plan of arrangement, plan of reorganization or other similar document (a “**Plan**”) or the acceptance of any transaction (a “**Transaction**”), or the filing of a motion seeking approval of the Court to accept any such Transaction or Plan, unless the total Cortland Pre-Filing Obligations and the Post-Filing Obligations hereunder are to be permanently and indefeasibly paid in full in cash or other immediately available funds upon completion of the Plan or Transaction or if the terms of the Plan or the Transaction have otherwise been approved by the Agent;
- (k) the breach of any term, covenant or agreement by any Credit Party in this Agreement;
- (l) any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower, any other Credit Party herein, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made;
- (m) if any material contract or license (including, for greater certainty, any contract or license entered into in connection with the use of any intellectual property or the production, cultivation and/or manufacturing of cannabis and/or cannabis-related products) is terminated or amended in any manner without the prior consent of the Agent;
- (n) without the consent of the Agent, the occurrence of a Change of Control; and
- (o) the occurrence of a default or an event of default under the Second ARCA (other than the CCAA Event of Default).

### **3.15 Cooperation**

Each of the Credit Parties shall cooperate fully with the Agent and its respective agents and employees by providing all information requested by the Agent, and by providing access to its books, records, property, assets, and personnel as requested by the Agent wherever they may be situated in whatever medium they may be recorded, except for confidential or privileged information, at the request of and at times convenient to the Agent, acting reasonably, which right of access shall include the right to inspect and appraise such property and assets.



### 3.16 Professional Expenses

Each of the Credit Parties hereby covenants and agrees with the Agent to reimburse the Agent for all reasonable and documented expenses incurred in connection with this Agreement and the CCAA Proceedings, including, without limitation, legal fees, financial advisor fees and other professional expenses that the Agent has incurred or will incur arising out of its dealings with the Credit Parties in the CCAA Proceedings (collectively, the "**Professional Expenses**"). The Borrower shall ensure that the Professional Expenses are provided for in the Budget. Nothing in this Agreement, shall derogate from the Credit Parties' obligation to pay for all of the Professional Expenses or shall constitute a cap on Professional Expenses. Notwithstanding the foregoing, the Agent shall add all of the Professional Expenses to the Post-Filing Obligations if the same are not paid when due. Each of the Credit Parties hereby acknowledges, confirms and agrees that the Professional Expenses which are added to the Post-Filing Obligations shall be secured and covered by the Transaction Documents and the DIP Charge.

### 3.17 Remedies Upon Event of Default and on Termination Date

If any Event of Default occurs and is continuing, or upon the Termination Date, the Agent may take any or all of the following actions, subject to the terms of the Initial Order:

- (a) declare the DIP Facility to be terminated, whereupon the DIP Facility shall be terminated;
- (b) declare the Post-Filing Obligations to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Credit Parties; and
- (c) exercise any or all of its rights and remedies available to it under this Agreement, the other Transaction Documents, the BIA, the PPSA, other applicable law, or otherwise.

### 3.18 Termination

The term of the DIP Facility will be the earlier of (a) July 15, 2024 (the "**Maturity Date**"), and (b) any other Termination Date.

The Agent shall have the right to terminate the DIP Facility upon the occurrence of an Event of Default in accordance with the terms of this Agreement, subject to the terms of the Initial Order.

The DIP Facility may be terminated with the consent of both the Agent and the Borrower, at which time, all accrued interest, principal, fees and expenses owing shall be paid in cash to the Agent on such Termination Date.

The date on which all outstanding principal and interest under the DIP Facility shall become due and payable will be termed the "**Termination Date**" and will be the date which is the earliest to occur of the following:

- (a) the Maturity Date;

- (b) the date on which any Event of Default occurs or is discovered to have occurred in the past, unless waived or otherwise consented to by the Agent; and
- (c) the date of a sale of all or substantially all of the Collateral.

## **ARTICLE 4 GENERAL PROVISIONS**

### **4.1 Effect of this Agreement**

Except as expressly modified pursuant hereto, no other changes or modifications to the terms of the Transaction Documents are intended or implied.

### **4.2 Transaction Document**

This Agreement is a Transaction Document.

### **4.3 Further Assurances**

The parties hereto shall execute and deliver such supplemental documents and take such supplemental action as may be necessary or desirable by the Agent to give effect to the provisions and purposes of this Agreement and the DIP Charge all at the sole expense of the Credit Parties.

### **4.4 Binding Effect**

This Agreement shall be binding upon and enure to the benefit of each of the parties hereto and their respective successors, heirs, executors, administrators, permitted assigns and legal representatives.

### **4.5 Survival of Representations and Warranties**

All representations and warranties made in this Agreement or any other document furnished in connection herewith shall survive the execution and delivery of this Agreement and such other document delivered in connection herewith, and no investigation by the Agent or any closing shall affect the representations and warranties or the rights of the Agent to rely upon such representations and warranties.

### **4.6 No Novation**

This Agreement will not discharge or constitute novation of any debt, obligation, covenant or agreement contained in the Transaction Documents but the same shall remain in full force and effect save to the extent amended by this Agreement.

### **4.7 Assignments**

The Agent may assign this Agreement and its rights and obligations hereunder, in whole or in part, or grant a participation in its rights hereunder or act as an agent for one or more lenders hereunder at any time and from time to time, on the condition that the Monitor is satisfied that the potential

assignee or party granted or to be granted a participation right has the financial wherewithal to, and is an appropriate party to participate in, the Agreement.

Each of the Credit Parties acknowledges and agrees that, in accordance with Applicable Laws, the Agent may, in its discretion, provide any potential assignee, participant or lender with, on a confidential basis, all such information required by such assignee, participant or lender to complete its financial and legal due diligence in connection with assessing such assignment, participation or lending.

Neither this Agreement nor any right hereunder may be assigned by any of the Credit Parties.

#### **4.8 Amendments**

This Agreement may not be amended nor waived except by an instrument in writing signed by each of the Credit Parties and the Agent.

#### **4.9 Execution in Counterparts**

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and which taken together will be deemed to constitute one and the same instrument. Counterparts may be executed either in original, faxed or portable document format ("**PDF**") form and the parties adopt any signatures received by a receiving fax machine or by emailed PDF as original signatures of the parties; provided, however, that any party providing its signature in such manner will promptly forward to the other party an original of the signed copy of the Agreement which was so faxed or emailed.

[REMINDER OF PAGE DELIBERATELY LEFT BLANK]

**IN WITNESS WHEREOF**, the parties have entered into this Agreement as of the date first above mentioned.

**CORTLAND CREDIT LENDING CORPORATION, as Agent for and on behalf of the Lenders**

By: \_\_\_\_\_  
Name:  
Title:

**102172093 SASKATCHEWAN LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**BZAM LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**BZAM HOLDINGS INC.**

By: \_\_\_\_\_  
Name:  
Title:

**BZAM MANAGEMENT INC.**

By: \_\_\_\_\_  
Name:  
Title:

**BZAM CANNABIS CORP.**

By: \_\_\_\_\_  
Name:  
Title:

**FOLIUM LIFE SCIENCE INC.**

By: \_\_\_\_\_  
Name:  
Title:

**THE GREEN ORGANIC DUTCHMAN LTD.**

By: \_\_\_\_\_  
Name:  
Title:

**MEDICAN ORGANIC INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HIGH ROAD HOLDING CORP.**

By: \_\_\_\_\_  
Name:  
Title:

**FINAL BELL CORP.**

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE "A"**  
**INITIAL BUDGET**

**SCHEDULE "B"**  
**FORM OF ADVANCE CERTIFICATE**

We refer to the provisions of the DIP facility agreement dated February 28, 2024 (as it may be amended, restated, supplemented or otherwise modified from time to time, the “**DIP Facility Agreement**”) between, *inter alia*, The Green Organic Dutchman Ltd. (the “**Borrower**”) and Cortland Credit Lending Corporation, as administrative agent for certain lenders (the “**Agent**”). Capitalized terms used herein have the same meaning as in the DIP Facility Agreement. The undersigned, being an officer or director of the Borrower hereby represents, warrants and certifies in such capacity, and not in her or his personal capacity, as follows:

1. **Representations and Warranties.** The representations and warranties of the Borrower and the other Obligors set forth in the DIP Facility Agreement, or which are contained in any certificate, document or financial or other written statement furnished pursuant to or in connection therewith are accurate and complete in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except to the extent specified in the DIP Facility Agreement to be made as of a specific date.
2. **No Material Adverse Change.** Since the date of the Initial Order, no Material Adverse Change has occurred.
3. **No Default.** There exists no Default or Event of Default on the date hereof and no Default or Event of Default will occur as a result of the Advance Request made pursuant to this Advance Request Certificate.
4. **Conditions Precedent.** The conditions precedent to this Advance Request in accordance with the DIP Facility Agreement have been satisfied.
5. **Loan Advance.** The Borrower hereby requests, authorizes, and instructs the Agent to fulfill this Advance Request in the amount of \$[●] by initiating a wire to the Borrower on \_\_\_\_\_, 2024 at the particulars noted below and this will be the Agent’s irrevocable authority to do so
  - (a) [●]

**SCHEDULE "C"**  
**LIENS (OTHER THAN PERMITTED ENCUMBRANCES)**

**SCHEDULE "D"**  
**TAX RETURNS**

- a. Total Excise Tax Arrears: \$9,083,289.33 (as of February 15, 2024)
- b. Total Deposits for Excise Tax: \$2,500,000 (\$2,150,000 with Intact + \$350,000 with CRA)  
(as of Feb 28, 2024)
- c. Total Surety Bond: \$4,300,000
- d. Total Sales Tax Arrears: \$2,635,180.64 (as of February 15, 2024)
- e. Total Withholding Tax Arrears: N/A



**SCHEDULE "E"**  
**ACTIONS, SUITS AND/OR PROCEEDINGS**

1. *1613240 Ontario Ltd. and Amy Stephenson v. The Green Organic Dutchman Holdings Ltd.* (the prior name of BZAM), Ontario Superior Court of Justice File No. CV-18- 605781.
2. BZAM Cannabis Corp. commenced a claim, by arbitration, against GO Drywall Ltd. for breach of a construction contract for failure to provide services. BZAM Cannabis Corp.'s claim is for \$248,936.25. Go Drywall Ltd. commenced a cross claim for wrongful termination of the contract seeking \$746,805.89. A final arbitration was awarded in favor of BZAM Cannabis Corp.'s for the full amount of the claim, plus legal costs.
3. BZAM Management Inc. has filed an appeal from the assessments by the BC Ministry of Finance's tax appeals division to recover approximately \$1.05 Million in BC property transfer taxes paid by it in connection with its acquisition of three properties in British Columbia.
4. On February 1, 2021, a former BZAM Cannabis Corp. employee filed a human rights complaint with the Alberta Human Rights Commission with respect to their termination for refusal to be vaccinated for Covid-19 pursuant to BZAM's Vaccination Policy.
5. *Jason Glenn c.o.b.a Frostmec Services v BZAM Management Inc.* – British Columbia Small Claims Court. Former employee filed a Notice of Claim alleging non-payment of invoices and seeking \$28,082.00.
6. *Freyja Jorgensen v. Final Bell Canada*, HRTO File No. 2023-53071, commenced May 31, 2023. Freyja Jorgensen, a former employee of Final Bell Corp., commenced a proceeding at the Human Rights Tribunal of Canada in the amount of CAD \$123,201.
7. *Thanasi Tambakos, Silvia Vassileva, Christian Tambakos, by his Litigation Guardian, Silvia Vassileva, and Gabriella Tambakos by her Litigation Guardian Silvia Vassileva v. Spectrum Cannabis Canada Ltd. (F.K.A. Mettrum Ltd.), Final Bell Corp. (F.K.A. Starseed Medicinal Inc., and Mettrum (Bennett North) Ltd.), Agripharm Corp., and Canopy Growth Corporation*, CV-23-00695168-0000, issued February 23, 2023. This action claims that the defendants were negligent in the cultivation, production, testing, processing, manufacture, distribution, marketing and sale of the medical marijuana products affected by a recall of products produced, marketed and sold by the defendant, Mettrum Ltd. The claim is for approximately CAD \$475,000.

This is Exhibit "1F" referred to in the Affidavit of Jonathan Shepherd sworn April 24, 2024.

A handwritten signature in blue ink, appearing to read "Sarah Kemp", with a long horizontal flourish extending to the right.

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*Commissioner for Taking Affidavits (or as may be)*

Sarah Kemp LSO #85519T

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF BZAM LTD., BZAM HOLDINGS INC., BZAM  
MANAGEMENT INC., BZAM CANNABIS CORP., FOLIUM LIFE  
SCIENCE INC., 102172093 SASKATCHEWAN LTD., THE GREEN  
ORGANIC DUTCHMAN LTD., MEDICAN ORGANIC INC., HIGH ROAD HOLDING  
CORP. and FINAL BELL CORP.

Applicants

**BILL OF COSTS (ESTIMATE) OF CORTLAND CREDIT LENDING CORPORATION**

**PART 1: SUMMARY OF ESTIMATED FEES**

Item	Partial Indemnity (60%)	Substantial Indemnity (90%)	Actual Fees
(1) Administrative and Procedural Matters	\$29,608.50	\$44,429.90	\$49,347.50
(2) Documentary Review and Examinations	\$42,298.20	\$63,452.90	\$70,497.00
(3) Materials for Rescission Claim	\$99,708.60	\$149,585.60	\$166,181.00
(4) Rescission Hearing	\$39,616.80	\$59,432.80	\$66,028.00
Total Fees	\$211,232.10	\$316,901.20	\$352,053.50
Disbursements	\$4,339.00	\$4,339.00	\$4,339.00
HST on Fees and Disbursements (13%)	\$28,024.24	\$41,761.23	\$46,331.03
<b>TOTAL:</b>	<b><u>\$243,595.34</u></b>	<b><u>\$363,001.43</u></b>	<b><u>\$402,723.53</u></b>

**PART 2: STATEMENT OF EXPERIENCE**

Lawyer	Years of Experience	Year of Call	Partial Indemnity Rates (60%)	Substantial Indemnity Rates (90%)	Actual Rates
Bellissimo, Joseph J.	22	2002	\$603.00	\$905.00	\$1,005.00
Levine, Natalie	16	2008	\$585.00	\$878.00	\$975.00
Williams, Kori	16	2008	\$489.00	\$734.00	\$815.00
Pendrith, Colin	13	2011	\$456.00	\$684.00	\$760.00
Bozzelli, Alessandro	9	2015	\$444.00	\$666.00	\$740.00
Shepherd, Jonathan	5	2019	\$390.00	\$585.00	\$650.00

## PART 3: FEES

<b>(1) Administrative and Procedural Matters</b>							
Communications and correspondence with counsel regarding procedural and administrative matters; communications and correspondence with client; communications and correspondence with the Court regarding various matters;							
<b>Name</b>	<b>Hours</b>	<b>Partial Rate</b>	<b>Partial Amount</b>	<b>Substantial Rate</b>	<b>Substantial Amount</b>	<b>Actual Rate</b>	<b>Actual Amount</b>
<b>Fees Incurred to Date</b>							
Bellissimo, Joseph J.	5.9	\$603.00	\$3,557.70	\$905.00	\$5,339.50	\$1,005.00	\$5,929.50
Levine, Natalie	7.7	\$585.00	\$4,504.50	\$878.00	\$6,760.60	\$975.00	\$7,507.50
Williams, Kori	4.7	\$489.00	\$2,298.30	\$734.00	\$3,449.80	\$815.00	\$3,830.50
Pendrith, Colin	8.5	\$456.00	\$3,876.00	\$684.00	\$5,814.00	\$760.00	\$6,460.00
Bozzelli, Alessandro	<u>9.5</u>	\$444.00	<u>\$4,218.00</u>	\$666.00	<u>\$6,327.00</u>	\$740.00	<u>\$7,030.00</u>
<i>Total Fees Incurred to Date</i>	26.8		\$14,236.50		\$21,363.90		\$23,727.50
<b>Additional Estimated Fees</b>							
Bellissimo, Joseph J.	6	\$603.00	\$3,618.00	\$905.00	\$5,430.00	\$1,005.00	\$6,030.00
Levine, Natalie	8	\$585.00	\$4,680.00	\$878.00	\$7,024.00	\$975.00	\$7,800.00
Williams, Kori	2	\$489.00	\$978.00	\$734.00	\$1,468.00	\$815.00	\$1,630.00
Pendrith, Colin	8	\$456.00	\$3,648.00	\$684.00	\$5,472.00	\$760.00	\$6,080.00
Bozzelli, Alessandro	2	\$444.00	\$888.00	\$666.00	\$1,332.00	\$740.00	\$1,480.00
Shepherd, Jonathan	<u>4</u>	\$390.00	<u>\$1,560.00</u>	\$585.00	<u>\$2,340.00</u>	\$650.00	<u>\$2,600.00</u>
<i>Total Estimated Fees</i>	30		\$15,372.00		\$23,066.00		\$25,620.00
<b>TOTAL FEES:</b>	<b>56.8</b>		<b>\$29,608.50</b>		<b>\$44,429.90</b>		<b>\$49,347.50</b>

<b>(2) Documentary Review and Examinations</b>							
Engage in detailed review of records; review Redfern requests; prepare for and attend meetings with Deepak Alapatt to prepare for cross-examinations; prepare for and attend Rule 39 examination of Sean Bovindgon held April 8, 2024; prepare for and attend cross-examinations on affidavits of Keith Adams, Deepak Alapatt, Kay Jessel and Matthew Milich held April 8 and 10, 2024; review transcripts from various examinations; anticipated review of additional documents to be produced by BZAM; preparation for and attendance at anticipated examination of BZAM witness;							
<b>Name</b>	<b>Hours</b>	<b>Partial Rate</b>	<b>Partial Amount</b>	<b>Substantial Rate</b>	<b>Substantial Amount</b>	<b>Actual Rate</b>	<b>Actual Amount</b>
<b>Fees Incurred to Date</b>							
Levine, Natalie	6.1	\$585.00	\$3,568.50	\$878.00	\$5,355.80	\$975.00	\$5,947.50
Williams, Kori	1.1	\$489.00	\$537.90	\$734.00	\$807.40	\$815.00	\$896.50
Pendrith, Colin	36.3	\$456.00	\$16,552.80	\$684.00	\$24,829.20	\$760.00	\$27,588.00
Bozzelli, Alessandro	1.5	\$444.00	\$666.00	\$666.00	\$999.00	\$740.00	\$1,110.00
Shepherd, Jonathan	<u>14.1</u>	\$390.00	<u>\$5,499.00</u>	\$585.00	<u>\$8,248.50</u>	\$650.00	<u>\$9,165.00</u>
<i>Total Fees Incurred to Date</i>	59.1		\$26,824.20		\$40,239.90		\$44,707.00
<b>Additional Estimated Fees</b>							
Levine, Natalie	4	\$585.00	\$2,340.00	\$878.00	\$3,512.00	\$975.00	\$3,900.00
Pendrith, Colin	15	\$456.00	\$6,840.00	\$684.00	\$10,260.00	\$760.00	\$11,400.00
Bozzelli, Alessandro	1	\$444.00	\$444.00	\$666.00	\$666.00	\$740.00	\$740.00
Shepherd, Jonathan	<u>15</u>	\$390.00	<u>\$5,850.00</u>	\$585.00	<u>\$8,775.00</u>	\$650.00	<u>\$9,750.00</u>
<i>Total Estimated Fees</i>	35		\$15,474.00		\$23,213.00		\$25,790.00
<b>TOTAL FEES:</b>	<b>94.1</b>		<b>\$42,298.20</b>		<b>\$63,452.90</b>		<b>\$70,497.00</b>

**(3) Materials for Rescission Claim**

Review and analyze Motion Record of Final Bell regarding rescission of Share Purchase Agreement and corresponding affidavits; draft Responding Record and Affidavit to oppose rescission claim; review and analyze Reply Record of Final Bell; draft Responding Factum regarding rescission of Share Purchase Agreement; conduct legal research; draft and revise Agreed Statement of Facts; review and analyze Written Opening Statement and Supplementary Written Opening Statement of Final Bell; review and analyze Aide Memoire of Final Bell;

Name	Hours	Partial Rate	Partial Amount	Substantial Rate	Substantial Amount	Actual Rate	Actual Amount
<b>Fees Incurred to Date</b>							
Bellissimo, Joseph J.	2.3	\$603.00	\$1,386.90	\$905.00	\$2,081.50	\$1,005.00	\$2,311.50
Levine, Natalie	21.3	\$585.00	\$12,460.50	\$878.00	\$18,701.40	\$975.00	\$20,767.50
Williams, Kori	6.8	\$489.00	\$3,325.20	\$734.00	\$4,991.20	\$815.00	\$5,542.00
Pendrith, Colin	55.0	\$456.00	\$25,080.00	\$684.00	\$37,620.00	\$760.00	\$41,800.00
Bozzelli, Alessandro	13.5	\$444.00	\$5,994.00	\$666.00	\$8,991.00	\$740.00	\$9,990.00
Shepherd, Jonathan	<u>63.3</u>	\$390.00	<u>\$24,687.00</u>	\$585.00	<u>\$37,030.50</u>	\$650.00	<u>\$41,145.00</u>
<i>Total Fees Incurred to Date</i>	<i>162.2</i>		<i>\$72,933.60</i>		<i>\$109,415.60</i>		<i>\$121,556.00</i>
<b>Additional Estimated Fees</b>							
Bellissimo, Joseph J.	2	\$603.00	\$1,206.00	\$905.00	\$1,810.00	\$1,005.00	\$2,010.00
Levine, Natalie	10	\$585.00	\$5,850.00	\$878.00	\$8,780.00	\$975.00	\$9,750.00
Williams, Kori	3	\$489.00	\$1,467.00	\$734.00	\$2,202.00	\$815.00	\$2,445.00
Pendrith, Colin	20	\$456.00	\$9,120.00	\$684.00	\$13,680.00	\$760.00	\$15,200.00
Bozzelli, Alessandro	3	\$444.00	\$1,332.00	\$666.00	\$1,998.00	\$740.00	\$2,220.00
Shepherd, Jonathan	<u>20</u>	\$390.00	<u>\$7,800.00</u>	\$585.00	<u>\$11,700.00</u>	\$650.00	<u>\$13,000.00</u>
<i>Total Estimated Fees</i>	<i>58</i>		<i>\$26,775.00</i>		<i>\$40,170.00</i>		<i>\$44,625.00</i>
<b>TOTAL FEES:</b>	<b>220.2</b>		<b>\$99,708.60</b>		<b>\$149,585.60</b>		<b>\$166,181.00</b>

**(4) Rescission Hearing**

Prepare for and attend two day hearing for order rescinding Share Exchange Agreement;

Name	Hours	Partial Rate	Partial Amount	Substantial Rate	Substantial Amount	Actual Rate	Actual Amount
<b>Fees Incurred to Date</b>							
Levine, Natalie	5.2	\$585.00	\$3,042.00	\$878.00	\$4,565.60	\$975.00	\$5,070.00
Pendrith, Colin	<u>20.8</u>	\$456.00	<u>\$9,484.80</u>	\$684.00	<u>\$14,227.20</u>	\$760.00	<u>\$15,808.00</u>
<i>Total Fees Incurred to Date</i>	<i>26.0</i>		<i>\$12,526.80</i>		<i>\$18,792.80</i>		<i>\$20,878.00</i>
<b>Additional Estimated Fees</b>							
Bellissimo, Joseph J.	5	\$603.00	\$3,015.00	\$905.00	\$4,525.00	\$1,005.00	\$5,025.00
Levine, Natalie	5	\$585.00	\$2,925.00	\$878.00	\$4,390.00	\$975.00	\$4,875.00
Pendrith, Colin	25	\$456.00	\$11,400.00	\$684.00	\$17,100.00	\$760.00	\$19,000.00
Shepherd, Jonathan	<u>25</u>	\$390.00	<u>\$9,750.00</u>	\$585.00	<u>\$14,625.00</u>	\$650.00	<u>\$16,250.00</u>
<i>Total Estimated Fees</i>	<i>60</i>		<i>\$27,090.00</i>		<i>\$40,640.00</i>		<i>\$45,150.00</i>
<b>TOTAL FEES:</b>	<b>86.0</b>		<b>\$39,616.80</b>		<b>\$59,432.80</b>		<b>\$66,028.00</b>

**PART 4: ESTIMATED DISBURSEMENTS**

<b>Disbursement</b>	<b>Amount</b>
Court Reporting Services and Transcripts	\$1,000.00
Court Filing Fees	\$339.00
eDiscovery Fees	\$2,500.00
Searches	\$500.00
<b>TOTAL</b>	<b>\$4,339.00</b>

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Lawyers for Cortland Credit Lending  
 Corporation

N THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF BZAM LTD., BZAM HOLDINGS INC., BZAM MANAGEMENT INC., BZAM CANNABIS CORP., FOLIUM LIFE SCIENCE INC., 102172093 SASKATCHEWAN LTD., THE GREEN ORGANIC DUTCHMAN LTD., MEDICAN ORGANIC INC., HIGH ROAD HOLDING CORP. and FINAL BELL CORP  
Applicants

Court File No. CV-24-00715773-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**MOTION RECORD OF CORTLAND CREDIT LENDING  
CORPORATION  
(MOTION FOR SECURITY FOR COSTS)**

**CASSELS BROCK & BLACKWELL LLP**

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