Cansortium Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months ended
June 30, 2024 and 2023

(Expressed in thousands of United States Dollars unless otherwise stated)

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Cansortium Inc.
Condensed Interim Consolidated Statements of Financial Position (unaudited)
As of June 30, 2024 and December 31, 2023
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		June 30, 2024	December 31, 2023
Assets			
Current assets			
Cash		$ 8,483	$ 10,521
Trade receivable		83	215
Inventory, net	*Note 3*	13,400	9,244
Biological assets	*Note 4*	4,279	331
Prepaid expenses and other current assets	*Note 5*	2,705	1,882
Total current assets		28,950	22,193
Property and equipment, net	*Note 6*	26,138	27,642
Intangible assets, net	*Note 7*	94,845	93,593
Right-of-use assets, net	*Note 12*	32,187	31,943
Goodwill	*Note 8*	1,525	1,525
Other assets		997	907
Total assets		**$ 184,642**	**$ 177,803**
Liabilities			
Current liabilities			
Trade payable		$ 5,676	$ 5,525
Accrued liabilities		10,445	9,779
Income taxes payable		28,666	22,009
Derivative liabilities	*Note 10*	1,715	9,109
Current portion of notes payable, net	*Note 11*	62,063	213
Current portion of lease liabilities	*Note 12*	3,081	2,872
Total current liabilities		111,646	49,507
Notes payable, net	*Note 11*	5,489	61,189
Lease liabilities	*Note 12*	37,944	37,242
Deferred tax liability		20,365	17,398
Other long-term liabilities	*Note 20*	3,447	3,882
Total liabilities		**178,891**	**169,218**
Shareholders' equity			
Share capital	*Note 13*	183,690	183,690
Share-based compensation reserve		6,931	6,739
Equity conversion feature		6,867	6,677
Warrants	*Notes 13*	29,634	29,634
Accumulated deficit		(221,037)	(217,821)
Foreign currency translation reserve		(334)	(334)
Total shareholders' equity		5,751	8,585
Total liabilities and shareholders' equity		**$ 184,642**	**$ 177,803**

Other notes include:
Nature of Operations (Note 1)
Summary of Significant Accounting Policies (Note 2)
Commitments and Contingencies (Note 15)
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Approved on behalf of the Board:

Robert Beasley
Chief Executive Officer

Patricia Fonseca
Chief Financial Officer

Cansortium Inc.
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Loss (unaudited)
For the three and six months ended June 30, 2024 and 2023
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		For the three months ended		For the six months ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue, net of discounts		$ 27,269	$ 24,430	$ 52,496	$ 46,486
Cost of goods sold		13,490	11,448	26,456	23,275
Gross profit before fair value adjustments		13,779	12,982	26,040	23,211
Fair value adjustments on inventory sold		(1,788)	2,211	(160)	4,552
Unrealized gain (loss) on changes					
in fair value of biological assets	*Note 4*	8,268	(3,035)	9,315	(8,092)
Gross profit		20,259	12,158	35,195	19,671
Expenses					
General and administrative	*Note 14*	4,607	2,571	8,570	4,883
Sales and marketing	*Note 14*	6,018	5,576	11,452	9,574
Depreciation and amortization	*Notes 6,7*	1,780	1,929	3,510	3,777
Share-based compensation		142	177	191	415
Total expenses		12,547	10,253	23,723	18,649
Income from operations		7,712	1,905	11,472	1,022
Other expense (income)					
Finance costs, net	*Note 19*	4,835	4,324	9,546	8,573
Gain on change in fair value of derivative liabili	*Notes 10*	(5,707)	(442)	(7,394)	(164)
Loss on disposal of assets		-	-	212	70
Loss from termination of a contract		3	82	3	3
Other miscellaneous income		(2)	-	-	67
Total other (income) expense		(871)	3,964	2,367	8,549
Income (loss) before income taxes		8,583	(2,059)	9,105	(7,527)
Income tax expense	*Note 9*	7,636	3,291	12,321	5,205
Net comprehensive income (loss)		$ 947	$ (5,350)	$ (3,216)	$ (12,732)
Net loss per share					
Basic and diluted - continuing operations		$ 0.00	$ (0.02)	$ (0.01)	$ (0.05)
Weighted average number of shares					
Basic number of shares		299,573,039	296,938,910	299,551,203	286,804,241
Diluted number of shares		341,443,706	352,230,174	341,763,315	339,972,379

Cansortium Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
For the six months ended June 30, 2024 and the twelve months ended December 31, 2023
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	Share capital			Reserves					
	Number of unrestricted common shares	Number of restricted common shares	Amount	Share-based compensation reserve	Equity conversion feature	Warrants	Accumulated deficit	Foreign currency translation reserve	Total shareholders' equity
Balance, December 31, 2022	**264,959,743**	**-**	**$ 180,954**	**$ 6,395**	**$ 6,677**	**$ 28,939**	**$ (195,071)**	**$ (334)**	**$ 27,560**
Shares issued for professional services (Note 13 a.)	4,569,624	-	439	-	-	-	-	-	439
Issuance of options	-	-	-	154	-	-	-	-	154
Issuance of restricted stock units	-	-	-	195	-	-	-	-	195
Cancellation of options	-	-	-	(5)	-	-	-	-	(5)
Private placement issuance of shares and warrants (Note 13 b.)	30,000,000	-	2,297	-	-	695	-	-	2,992
Net loss	-	-	-	-	-	-	(22,750)	-	(22,750)
Balance, December 31, 2023	**299,529,367**	**-**	**$ 183,690**	**$ 6,739**	**$ 6,677**	**$ 29,634**	**$ (217,821)**	**$ (334)**	**$ 8,585**
Share based compensation	2,880,581	2,480,385	-	192	-	-	-	-	192
Convertible promissory note (Note 11 g.)	-	-	-	-	190	-	-	-	190
Net loss	-	-	-	-	-	-	(3,216)	-	(3,216)
Balance, June 30, 2024	**302,409,948**	**2,480,385**	**$ 183,690**	**6,931**	**6,867**	**29,634**	**(221,037)**	**(334)**	**5,751**

Cansortium Inc.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)
For the six months ended June 30, 2024 and 2023
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	For the six months ended	
	June 30, 2024	June 30, 2023
Operating activities		
Net loss from continuing operations	$ (3,216)	$ (12,732)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized loss (gain) on changes in fair value of biological assets	(9,315)	8,092
Realized loss (gain) on changes in fair value of biological assets	160	(4,552)
Share-based compensation	191	415
Depreciation and amortization	7,473	8,042
Accretion and interest of convertible debentures	284	266
Accretion and interest of term loan	6,802	6,262
Interest of equipment loan	-	13
Interest on insurance financing	30	-
Interest on convertible promissory note	49	-
Loss on disposal of assets	212	70
Change in fair market value of derivative	(7,394)	(164)
Interest on lease liabilities	2,405	2,037
Deferred tax expense	2,898	(1,517)
Changes in operating assets and liabilities:		
Trade receivable	132	1
Inventory	8,132	7,402
Biological assets	(7,081)	(8,886)
Prepaid expenses and other current assets	687	11
Right of Use Assets/Liabilities	(2,525)	67
Other assets	(90)	(40)
Trade payable	152	(135)
Accrued liabilities	666	(623)
Other long-term liabilities	(435)	(791)
Income taxes payable	6,657	6,722
Net cash provided by operating activities	6,874	9,960
Investing activities		
Purchases of property and equipment	(3,902)	(4,339)
Purchase of intangible assets	(1,332)	-
Net cash used in investing activities	(5,234)	(4,339)
Financing activities		
Net proceeds from issuance of shares and warrants	-	2,993
Net proceeds from convertible note	3,000	-
Payment of lease obligations	(1,412)	(3,188)
Net proceeds from auto and equipment loan	48	-
Principal repayments of notes payable	(5,314)	(4,988)
Net cash used in financing activities	(3,678)	(5,183)
Net increase (decrease) in cash	(2,038)	438
Cash, beginning of period	10,521	8,359
Cash, end of period	$ 8,483	$ 8,797

1. Nature of Operations

Cansortium Inc. was incorporated under the laws of the Province of Ontario, Canada pursuant to the Ontario Business Corporations Act. ("OBCA") on August 31, 2018. The Company's registered office is located at 295 The West Mall, Suite 600, Toronto, Ontario, M9C 4Z4 and its head office is located at 5540 W. Executive Drive, Suite 100, Tampa, Florida 33609.

On March 22, 2019, the Company acquired all outstanding units of Cansortium Holdings LLC ("Cansortium Holdings"), in connection with the Company's initial public offering and listing on the Canadian Securities Exchange. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TIUM.U" and on the OTCQB Venture Market under the trading symbol "CNTMF."

The Company, through its subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas and is licensed to sell medical cannabis in Pennsylvania. In Pennsylvania, the Company's product portfolio is comprised of a variety of third-party branded medical cannabis products.

The Company's medical cannabis products are offered in oral drops, capsules, topicals, syringes, dried flower, pre-rolls, cartridges, concentrates, and edibles.

All of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the three and six months ended June 30, 2024, and 2023, were generated in the United States.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due for the near future.

2. Summary of significant accounting policies

(a) Basis of preparation

The condensed interim consolidated financial statements of the Company have been 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").

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the years ended December 31, 2023, and 2022. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the years ended December 31, 2023, and 2022, including the accompanying notes thereto.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 22, 2024.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial assets, liabilities and biological assets that are measured at fair value.

(c) Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are considered. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the consolidated statement of loss and comprehensive loss and in the consolidated statement of changes in shareholders' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are included in these consolidated financial statements and the ownership interest held as of June 30, 2024 and December 31, 2023, respectively.

	% Ownership June 30, 2024	% Ownership December 31, 2023
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Pennsylvania, LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC	100.00%	100.00%
Cansortium Texas, LLC	100.00%	100.00%
Cansortium Canada Holdings Inc.	100.00%	100.00%
Fluent Servicing, LLC	100.00%	100.00%
Cansortium Brazil Ltda.	100.00%	100.00%
Cansortium Florida, LLC	100.00%	100.00%
Cansortium Colombia S.A.S.	50.00%	50.00%
Spirit Lake Road Nursery, LLC	100.00%	100.00%
Cansortium Michigan LLC	100.00%	100.00%
Cavern Capital Holdings LLC	100.00%	100.00%
Harvest Park Lot 9 Investors LLC	100.00%	100.00%
Harvest Park Lot 9 Investors No. 2 LLC	100.00%	100.00%
Fluent Hemp LLC	100.00%	100.00%
Cansortium International Inc.	100.00%	100.00%
Trick Tail Capital LLC	100.00%	100.00%

(d) Functional and presentation of currency

The condensed interim consolidated financial statements are presented in thousands of United States ("U.S.") dollars unless otherwise stated. The functional currency of the U.S. subsidiaries is the U.S. dollar. The functional currency of the Canadian subsidiaries is the Canadian dollar. The functional currency of the Brazilian subsidiary is the Brazilian real. The functional currency of the Colombian subsidiary is the Colombian peso.

The assets and liabilities of foreign operations are translated into U.S. dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into U.S. dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in comprehensive loss and comprehensive loss in shareholders' equity.

(e) Critical accounting judgments, estimates and assumptions

The preparation of the Company's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical judgments, estimates and assumptions that have the most significant effect on the amounts recognized on these condensed interim consolidated financial statements have been set out in Note 2 of the audited annual consolidated financial statements for the years ended December 31, 2023, and 2022.

(f) Accounting standards and amendments issued and adopted

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

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments toIAS 1). The amendments address inconsistencies with how entities classify current and non-current liabilities. The amendments serve to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the statements of financial position. The amendments are effective on January 1, 2024. The Company's adoption of the IAS 1 amendment did not have a material impact on the Interim Financial Statements.

Certain other new accounting standards, amendments, and interpretations have been published that are effective in the current period and are either not applicable to the Company or have been assessed by the Company and do not have a material impact on results.

(g) Accounting standards and amendments issued and adopted

Certain other new amendments and interpretations have been published that are effective in future annual reporting periods that are either not reasonably expected to be relevant for the Company or are not anticipated to have a material impact on results. The Company intends to adopt these standards when they become effective.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

3. Inventory

As of June 30, 2024 and December 31, 2023, inventory consisted of the following:

		June 30, 2024		December 31, 2023
Supplies, packaging and materials	$	1,992	$	4,761
Work in progress		5,742		1,988
Finished goods		5,666		2,495
Balance at end of period	**$**	**13,400**	**$**	**9,244**

Inventory material costs included in the cost of goods sold during the three and six months ended June 30, 2024 were $4,496 and $8,774, respectively. Inventory material costs included in the cost of goods sold during the three and six months ended June 30, 2023 were $1,436 and $992, respectively. Salaries and benefits charged to cost of goods sold for the three and six months ended June 30, 2024 were $2,763 and $5,291, respectively. Salaries and benefits charged to cost of goods sold for the three and six months ended June 30, 2023 were $2,569 and $5,094, respectively.

Capitalized depreciation expensed to costs of sales for the three and six months ended June 30, 2024 were $2,670 and $3,963, respectively. Capitalized depreciation expensed to costs of sales for the three and six months ended June 30, 2023 were $276 and $2,851, respectively. The company had no inventory reserves in 2024 or 2023.

4. Biological assets

The Company's biological assets consist of cannabis plants, which are not yet harvested. A reconciliation of the beginning and ending balances of biological assets for the six months ended June 30, 2024 and the year ended December 31, 2023 is as follows:

		June 30, 2024		December 31, 2023
Balance at beginning of period	$	331	$	996
Cost incurred until harvest		7,081		17,145
Effect of unrealized change in fair value of biological assets		9,315		(14,602)
Transferred to inventory upon harvest		(12,448)		(3,208)
Balance at end of period	**$**	**4,279**	**$**	**331**

As of December 31, 2023, all biological assets were live plants. The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and the expected selling price less costs to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 in the IFRS 13 fair value hierarchy as there is no actively traded commodity market for plants or dried products. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets which will affect the amount reflected in the gain or loss on biological assets in future periods.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

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

	As at June 30, 2024		As at December 31, 2023	
Assumptions	**Input**	**10% Change**	**Input**	**10% Change**
(i) Weighted average of expected loss of plants until harvest (a)	16%	$82	19%	$7
(ii) Expected yields for cannabis plants (average grams per plant) (b)	86	$431	71	$33
(iii) Weighted average number of growing weeks completed as percentage of total growing weeks as at period end	57%	$431	44%	$33
(iv) FL Estimated selling price per gram (c)	$7.12 per gram	$1,550	$7.12 per gram	$824
(v) FL Cost to sell per gram per flower and trim, respectively	$6.90 per gram	$1,119	$6.90 per gram	$792

(a) Weighted average of expected loss of plants until harvest represents the expected loss of plants that will not survive to the point of harvest. It does not include any financial loss on a surviving plant.
(b) Expected average yields for cannabis plants vary based on the mix of strains existing at each reporting date.
(c) The estimated selling price per gram represents the actual sales price for the Company's various strains sold as retail products. The selling price is impacted by the mix of expected THC levels from the plants.

The Company estimates the harvest yields for cannabis at various stages of growth. As of June 30, 2024, it is expected that the Company's biological assets will yield approximately 4,591,612 grams of dry cannabis when harvested (2023 – 3,758,466 grams). As of June 30, 2024 and December 31, 2023, the Company had 64,683 and 56,553 plants that were classified as biological assets, respectively.

5. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	June 30, 2024	December 31, 2023
Prepaid insurance	$ 264	$ 286
Other receivables	13	-
Other prepaid expenses	444	222
Tenant improvement allowance	290	529
Prepaid inventory	276	273
Other current assets	1,418	572
Balance at end of period	**$ 2,705**	**$ 1,882**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

6. Property and equipment

A reconciliation of the beginning and ending balances of property and equipment for the six months ended June 30, 2024 and the year ended December 31, 2023, is as follows:

	Land	Furtinure and Fixtures	Computer Equipment	Manufacturing equipment	Leasehold improvements	Construction in Progress	Vehicles	Total
Cost								
Balance as of January 1, 2023	212	1,192	1,664	10,300	37,641	1,627	389	53,025
Additions	-	398	461	783	4,985	(677)	69	6,019
Disposals	-	-	-	-	(197)	(56)	-	(253)
Balance as of December 31, 2023	212	1,590	2,125	11,083	42,429	894	458	58,791
Accumulated depreciation								
Balance as of January 1, 2023	-	505	1,111	3,902	15,649	-	115	21,282
Additions	-	220	446	1,557	7,774	-	46	10,043
Disposals	-	-	-	-	(176)	-	-	(176)
Balance as of December 31, 2023	-	725	1,557	5,459	23,247	-	161	31,149
Property and equipment, net	**$ 212**	**$ 865**	**$ 568**	**$ 5,624**	**$ 19,182**	**$ 894**	**$ 297**	**$ 27,642**
Cost								
Balance as of January 1, 2024	212	1,590	2,125	11,083	42,429	894	458	58,791
Additions	-	22	55	615	3,231	(43)	22	3,902
Disposals	(212)	-	-	-	-	-	-	(212)
Balance as of June 30, 2024	0	1,612	2,180	11,698	45,660	851	480	62,481
Accumulated depreciation								
Balance as of January 1, 2024	-	725	1,557	5,459	23,247	-	161	31,149
Additions	-	109	224	818	4,019	-	24	5,194
Disposals	-	-	-	-	-	-	-	-
Balance as of June 30, 2024	-	834	1,781	6,277	27,266	-	185	36,343
Property and equipment, net	**$ 0**	**$ 778**	**$ 399**	**$ 5,421**	**$ 18,394**	**$ 851**	**$ 295**	**$ 26,138**

For the six months ended June 30, 2024 and December 31, 2023, the Company charged $3,963 and $1,927 of depreciation to the production of biological assets and inventory, respectively.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

7. Intangible assets

Intangible assets consist of cannabis licenses and trademarks and brands. A reconciliation of the beginning and ending balances of intangible assets for the six months ended June 30, 2024 and year ended December 31, 2023, is as follows:

	Licenses	Trademarks and brands	Total
Cost			
Balance as of January 1, 2023	94,488	8,850	103,338
Additions	319	-	319
Disposals	(842)	-	(842)
Balance as of December 31, 2023	93,965	8,850	102,815
Accumulated amortization			
Balance as of January 1, 2023	1,063	7,984	9,047
Additions	159	858	1,017
Disposals	(842)	-	(842)
Balance as of December 31, 2023	380	8,842	9,222
Intangible assets, net	**$ 93,585**	**$ 8**	**$ 93,593**
Cost			
Balance as of January 1, 2024	93,965	8,850	102,815
Additions	1,332	-	1,332
Disposals	-	-	-
Balance as of June 30, 2024	95,297	8,850	104,147
Accumulated amortization			
Balance as of January 1, 2024	380	8,842	9,222
Additions	80	-	80
Disposals	-	-	-
Balance as of June 30, 2024	460	8,842	9,302
Intangible assets, net	**$ 94,837**	**$ 8**	**$ 94,845**

Amortization expense for the six months ended June 30, 2024 and 2023, was $80 and $383, respectively. Amortization expense of intangible assets is located in depreciation and amortization expense of the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss. The remaining amortization period as of June 30, 2024 is 2 years.

8. Goodwill

Goodwill as of June 30, 2024 and December 31, 2023 was $1,525.

As of June 30, 2024 and December 31, 2023, the Company did not have an impairment to its goodwill and indefinite life intangibles.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

9. Income taxes

Income tax for the three and six months ended June 30, 2024 and 2023 consisted of the following:

	Three months ended		Six months ended	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Current Tax Expense	$ 5,954	$ 3,610	$ 9,423	$ 6,722
Deferred Tax Expense	1,682	(319)	2,898	(1,517)
Total income taxes	**$ 7,636**	**$ 3,291**	**$ 12,321**	**$ 5,205**

Income tax expense is recognized based on Management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The U.S statutory tax rate used for the three and six months ended June 30, 2024 and 2023 was 21%.

10. Derivative liabilities

A reconciliation of the beginning and ending balances of the equity price guarantee derivative liabilities from the time of issuance and during the six months ended June 30, 2024 and the year ended December 31, 2023, is as follows:

Balance as of January 1, 2023	$ 8,676
Fair value change	433
Balance as of December 31, 2023	**$ 9,109**
Fair value change	(7,394)
Balance as of June 30, 2024	**$ 1,715**

Price guarantees are recorded as a liability measured at fair value on the consolidated statement of financial position. In determining the fair value of the price guarantee, these liabilities are marked–to–market at each reporting period with the change in fair value recorded in the condensed interim consolidated statements of loss and comprehensive loss.

Fluent Servicing Acquisition

In connection with the acquisition of the remaining interest of Fluent Servicing on August 15, 2018, the Company issued 4,400,000 membership interest units of Cansortium Holdings LLC that were exchanged into 4,400,000 common shares (or equivalent proportionate voting shares) of Cansortium subject to a price floor of $2.75 ("Equity Price Guarantee"), expiring on March 21, 2021.

On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing, as well as the terms pertaining to the Equity Price Guarantee, reducing the price floor from $2.75 to $0.65 per share for the 4,400,000 common shares originally issued and agreeing to transfer to the seller, Can Endeavour LLC ("Can Endeavour") an additional 14,215,385 common shares (or equivalent proportionate voting shares) that were previously returned by the Company's founders, subject to a price floor of $0.65 per share with expiration on May 23, 2023.

On December 21, 2022, the Company amended its agreement of the terms pertaining to the Equity Price Guarantee, reducing the price floor from $0.65 to $0.40 per share for the 18,615,385 common shares issued and agreeing to transfer Can Endeavour an additional 11,634,615 common shares (or equivalent proportionate voting shares). If Can Endeavour elects to sell some or all of its common shares, and the proposed purchase price is less than the floor of $0.40 per share, then the Company shall have the first right to purchase some or all of its common shares for $0.40 per share. The price floor expires at the earlier of December 31, 2025 or 20 consecutive days where common shares trade at a minimum of $4.13 while maintaining a minimum trade volume of minimum of 3 million.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

The Company used a Monte-Carlo simulation model to estimate the fair value of the Equity Price Guarantee derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the Equity Price Guarantee. The Company believes that a 1 % difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

The following assumptions were used to value the Equity Price Guarantee derivative liability using the Monte-Carlo simulation model as of June 30, 2024 and December 31, 2023:

	June 30, 2024	**December 31, 2023**
Probability of business combination	80%	N/A
Volatility	115%	105%
Risk-free interest rate	4.03%	3.88%
Expected life (years)	1.04	2.00
Share price	$0.12	$0.09
Exercise price	$0.40	$0.40

During the six months ended June 30, 2024 the Company recorded a gain of $7,394 and for the year ended December 31, 2023 a loss of $433, on the revaluation of the Equity Price Guarantee derivative liability.

11. Notes payable

As of June 30, 2024 and December 31, 2023, notes payable consisted of the following:

	June 30, 2024	**December 31, 2023**
Automobile loan (b)	$ 16	$ 21
Senior secured term loan (c)	60,984	58,437
Equipment loan (d)	74	33
Convertible debenture (e)	2,790	2,819
Insurance financing (f)	897	92
Convertible promissory note (g)	2,791	-
Total notes payable (a)	$ 67,552	$ 61,402
Less current portion of notes payable	(62,063)	(213)
Notes payable, net of current portion	**$ 5,489**	**$ 61,189**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

(a) Note payable

A reconciliation of the beginning and ending balances of the notes payable for the six months ended June 30, 2024 and the year ended December 31, 2023 is as follows:

	June 30, 2024	December 31, 2023
Balance at the beginning of the period	$ 61,402	$ 57,710
Convertible promissory note	3,000	-
Convertible promissory note equity conversion feature	(258)	-
Insurance financing	1,509	800
Purchase of auto and equipment	48	-
Interest and accretion	7,165	13,458
Repayments of principal and interest	(5,314)	(10,566)
Balance at the end of the period	**$ 67,552**	**$ 61,402**

Refer to Note 19 for a reconciliation of finance costs for the six months ended June 30, 2024 and 2023.

(b) Automobile loan

Notes payable collateralized by vehicles purchased, bearing interest ranging from 4.59% to 5.44% per annum, maturing through December 2025.

(c) Senior secured term loan

On April 29, 2021, the Company entered into a senior secured term loan in the amount of $71,000 (the "Term Loan"). The Term Loan bears interest of 13% per annum, payable quarterly, with a maturity date of April 29, 2025. In connection with the transaction, 12.5 million warrants with an exercise price of $1.20 were issued to certain participants in the Term Loan. Subject to certain conditions of the Term Loan, the Company has the ability to prepay the Term Loan as well as to increase the Term Loan by up to $20 million. The Company assessed the prepayment option and determined that it is closely related as the exercise price of the option approximates the amortized cost of the note, and as such did not recognize a derivative instrument. The warrants had a down-round protection feature applicable for the first 60 days after the issuance of the warrants, which reduced the exercise price in the event the Company issued shares during the period for less than the exercise price.

As a result, the warrants failed fixed-for-fixed criteria and were accounted for as a derivative liability for the first 60 days accounted for at FVTPL. The Company valued the warrants at $11,207 based on the following assumptions used in the Black-Scholes model: exercise price of $1.20, underlying share price of $1.20, expected life of 4 years, risk-free interest rate of 0.77% and annualized volatility of 113%.

The Company incurred a total of $4,944 of transaction costs in relation to the Term Loan. The Company allocated $4,164 of transaction costs to the debt and immediately expensed $780 allocated to the warrants. The fair value of the debt component was measured as the residual value of $52,659 following the deduction of the warrants value and the transaction costs from the total proceeds received of $68,030.

As part of the Term Loan, the Company is required to be in compliance with the following financial covenants:

- Minimum liquidity of $4,500 as of June 30, 2024, and December 31, 2023.
- Minimum debt service coverage ratio of 2.5x.

On June 28, 2021, the down-round protection feature expired, triggering the warrants to meet fixed-for-fixed criteria and the Company accounted for the warrants as equity instruments. The Company revalued the warrants at $9,018 with a gain of $2,189 recognized on the change in fair value and reclassified the outstanding balance to warrants in equity. The Company valued the warrants at $9,018 based on the following assumptions used in the Black-Scholes model: exercise price of $1.20, underlying share price of $1.01, expected life of 3.84 years, risk-free interest rate of 0.87% and annualized volatility of 113%.

On May 6, 2022 and June 6, 2022, the Company completed repayments of the Term Loan in the aggregate amount of $3,418, incurring in a loss on debt settlement of $1,136. As of June 30, 2024, the principal amount outstanding under the Term Loan was $65,830 and unamortized debt issuance costs was $4,816. As of December 31, 2023, the principal amount outstanding under the Term Loan was $65,830 and unamortized debt issuance costs was $7,464.

As of June 30, 2024, the Company was in compliance with its covenants under the Term Loan.

(d) Equipment loan

Notes payable collateralized by equipment purchased, bearing interest ranging from 0% to 4.494% per annum, maturing through December 2029.

(e) Convertible debenture

On April 29, 2022, the Company completed a non-brokered private placement (the “Private Placement”) that includes a 10.0% unsecured convertible debenture in the principal amount of $3,500 (the “Debenture”), as well as 3,076,923 pre-funded common share purchase warrants (each a “Pre-Funded Warrant”) at a price of US$0.39 per Pre-Funded Warrant, for aggregate gross proceeds of $4,700, resulting in an increase of $1,744 and $70 to equity conversion feature and warrants, respectively. The Debenture will come due in 2032 and the principal amount then outstanding is convertible into common shares of the Company at a conversion price of $0.79 per common share. Each Pre-Funded Warrant entitled the holder to purchase one common share at an additional exercise price of $0.40 per common share (for a total common share issue price equal to $0.79) for a period of 12 months from the date of issuance. As of June 30, 2024, the principal amount outstanding under the Debenture was $3,009 and unamortized debt issuance costs was $219.

(f) Insurance financing

In March 2024, the Company financed workers compensation insurance in the amount of $320, payable monthly with a six-month term and an 8.5% interest rate. In April 2024, the Company financed insurance in the amount of $1,366, payable monthly with a nine-month term and an 11.35% interest rate. As of June 30, 2024, the principal amount outstanding for financed insurance is $897.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

(g) Convertible promissory note

On May 30, 2024, the Company entered into convertible promissory note with RIV Capital. The Note was signed at the same time as the "Arrangement Agreement" between Cansortium and RIV Capital (see Note 21). The Company received an initial advance of $3,000. Two additional advances are permitted up to a combined aggregate amount of $5,975. The promissory note bears interest of 10% and will come due May 1, 2025, at which time the principal amount then outstanding and all accrued but unpaid interest is convertible into common shares of the Company at a conversion price of $0.174 per common share. The initial draw of $3,000 under the note resulted in an increase of $190 in equity conversion feature and $68 in deferred tax. As of June 30, 2024, the amount outstanding under the promissory note is $3,000.

		Equity Conversion Feature		Liability component		Total
Balance, December 31, 2023	$	-	$	-	$	-
Initial recognition		258		2,742		3,000
Deferred tax		(68)		-		(68)
Interest and accretion		-		49		49
Balance, June 30, 2024	**$**	**190**	**$**	**2,791**	**$**	**2,981**

12. Leases

The Company's leasing activities include the lease of cultivation and manufacturing facilities used in the production of cannabis and related products and office premises.

(a) Right-of-use assets

		June 30, 2024		December 31, 2023
Cost				
Balance at beginning of period	$	48,990	$	44,029
Additions		2,290		5,675
Modifications		153		-
Disposals		-		(714)
Balance at end of period	$	51,433	$	48,990
Accumulated depreciation				
Balance at beginning of period	$	17,047	$	13,565
Additions		2,199		4,018
Disposals		-		(536)
Balance at end of period	$	19,246	$	17,047
Right-of-use-assets, net	**$**	**32,187**	**$**	**31,943**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

(b) Lease liabilities

	June 30, 2024	December 31, 2023
Balance at beginning of period	$ 40,114	$ 36,045
Additions	2,167	6,732
Modification	156	-
Disposals	-	(282)
Interest on lease liabilities	2,405	4,473
Interest payments on lease liabilities	(2,405)	(4,473)
Principal payments on lease liabilities	(1,412)	(2,381)
Balance at end of period	**$ 41,025**	**$ 40,114**
Less current portion of lease liabilities	(3,081)	(2,872)
Lease liabilities, net of current portion	**$ 37,944**	**$ 37,242**

The Company's lease obligation maturity has been disclosed within Note 17.

13. Shareholders' equity

	Share capital		
	Number of unrestricted common shares	Number of restricted common shares	Amount
Balance, December 31, 2022	**264,959,743**	**-**	**$ 180,954**
Shares issued for professional services (Note 13 a.)	4,569,624	-	439
Private placement issuance of shares and warrants (Note 13 b.)	30,000,000	-	2,297
Balance, December 31, 2023	**299,529,367**	**-**	**$ 183,690**
Share based compensation	2,880,581	2,480,385	-
Balance, June 30, 2024	**302,409,948**	**2,480,385**	**$ 183,690**

Equity transactions

During the six months ended June 30, 2024 and year ended December 31, 2023, the following transactions were recorded in shareholders' equity:

a. On January 6, 2023, June 2, 2023 and November 10, 2023, the Company issued to its Board of Directors' members, 1,354,167, 2,031,250 and 1,184,207 shares at $0.12, $0.08 and $0.10 per share, respectively, as compensation resulting in an increase in share capital of $439.

b. On February 28, 2023, the Company closed a non-brokered private placement offering of 30,000,000 units, at a price of $0.10 per unit, for aggregate gross proceeds of $3,000. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.15 per full common share purchase warrant for a period of 36 months from the issuance date.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

The allocation of proceeds on initial recognition was based on the relative fair values of the common shares issued and the warrants. On the date of issuance, the Company determined that the fair value of the common shares was $3,300 based on an underlying share price of $0.11, and that the fair value of the warrants was $998,517. The fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: an underlying share price of $0.11, an exercise price of $0.15, a risk-free rate of 3.94%, an expected volatility of 105.9%, an expected life of 3 years and an expected dividend yield of 0%. After applying the relative fair values, the Company allocated $2,303 to the common shares, and $697 to the warrants. The Company also incurred transaction costs of $7 on issuance of the common shares warrants. The transaction costs were allocated based on the relative fair value of the shares and warrants and were recorded as a reduction to the transaction price of the instruments within equity.

Share capital

As of June 30, 2024, the share capital of the Company is comprised of 276,483,308 common shares, 2,592,664 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 27,500,000 warrants, 8,748,425 stock options, and 2,480,385 restricted stock units . For the purpose of the statement of changes in shareholders' equity, the proportionate voting shares have been included as part of common shares based on the 1 for 10 conversion ratio.

Earnings per share have been calculated using the weighted average number of shares outstanding during a period on a total outstanding and fully dilutive basis. The potential conversion of warrants, convertible debt, and stock options into common shares. The weighted average number of basic and diluted shares are presented in the table below:

	June 30, 2024	**December 31, 2023**
Weighted average number of shares - basic	299,551,203	292,622,129
Weighted average warrants	27,588,099	42,080,064
Weighted average options	9,022,970	11,439,585
Weighted average restricted stock units	5,601,043	2,895,698
Weighted average number of shares - diluted	341,763,315	349,037,476

Warrant activity for the Company for the six months ended June 30, 2024 and year ended December 31, 2023, is as follows:

	Warrants
Balance as of December 31, 2022	**35,803,819**
Expired	(23,303,819)
Granted	15,000,000
Balance as December 31, 2023	**27,500,000**
Balance as of June 30, 2024	**27,500,000**

Restricted stock unit activity for the six months ended June 30, 2024 and year ended December 31, 2023, is as follows:

	June 30, 2024	**December 31, 2023**
Outstanding at beginning of period	5,861,320	-
Granted during the period	100,000	5,861,320
Released during the period	(2,880,581)	-
Forfeited during the period	(600,354)	-
Outstanding at end of period	2,480,385	5,861,320
RSUs vested at period end	2,880,581	1,970,440

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

14. Expense by nature

General and administrative expenses for the three and six months ended June 30, 2024, and 2023, are as follows:

	For the three months ended		For the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
General and administrative				
Legal and professional fees	$ 2,671	$ 728	$ 4,565	$ 1,599
Salaries and benefits	1,304	1,325	2,696	2,339
Insurance	309	250	688	712
Variable rent expenses	5	58	10	(67)
Travel and entertainment	56	46	115	78
IT services and software	60	-	118	-
Phone and Cellular	20	-	52	-
Payroll processing fees	51	-	110	-
Other	131	164	216	222
Total general and administrative	**$ 4,607**	**$ 2,571**	**$ 8,570**	**$ 4,883**

Sales and marketing expenses for the three and six months ended June 30, 2024 and 2023, are as follows:

	For the three months ended		For the six months ended June	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Sales and marketing				
Salaries and benefits	$ 4,825	$ 3,827	$ 9,478	$ 7,440
Advertising expenses	206	350	321	664
Variable rent expenses	(125)	(1,291)	(498)	(2,566)
Legal and professional fees	105	110	209	165
Security	57	74	119	119
Supplies	107	191	212	424
Software	145	130	284	212
Travel and entertainment	34	-	79	-
Other	664	2,185	1,248	3,116
Total sales and marketing	**$ 6,018**	**$ 5,576**	**$ 11,452**	**$ 9,574**

15. Commitments and contingencies

(a) Contingencies

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 of the Company believes that the Company is in compliance with applicable local and state regulations as of June 30, 2024, medical marijuana 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.

(b) Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of June 30, 2024, 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, except for the claims disclosed below. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

On April 26, 2021, MXY Holdings, LLC and its affiliates (collectively "MXY") filed suit in Florida claiming breach by the Company of the Management Services Agreement ("MSA") in an amount not less than $2,500. The terms of the MSA provided MXY with a fee for management consulting services, which services were supposed to include the creation and implementation of management plans and solutions, the provision of MXY personnel with industry expertise, and intellectual property.

On February 7, 2023, the company settled the litigation with MXY for $1,000. As of June 30, 2024 and December 31, 2023, the total outstanding amount was $83 and $542, respectively.

16. Related-party transactions

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities for the Company, directly and indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. For the three and six months ended June 30, 2024 and 2023, key management personnel compensation consisted of the following:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Salary	$ 713	$ 714	$ 1,392	$ 1,425
Option-based compensation	4	-	11	29
Restricted stock unit compensation	19	-	39	-
All other compensation	113	163	226	325
Total	$ 849	$ 877	$ 1,668	$ 1,779

Transactions with related parties

On February 28, 2023, the Company closed a non-brokered private placement offering of 30,000,000 units, at a price of $0.10 per unit, for aggregate gross proceeds of $3,000,000. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.15 per full common share purchase warrant for a period of 36 months from the issuance date. As part of the private placement, the Company issued to its Executive Chairman 10,000,000 shares and 5,000,000 warrants.

On January 6, 2023, June 2, 2023 and November 10, 2023 the Company issued to its Board of Directors' members, 1,354,167 shares, 2,031,250 shares and 1,184,207 shares at $0.12, $0.08 and $0.10 per share, respectively, as compensation resulting in an increase to share capital of $439 for the twelve-month period ending December 31, 2023.

On January 8, 2024, the Company entered into a commercial lease with Nittany Management, LLC. Nittany Management, LLC is owned by the Company's current Executive Chairman. The lease is for real property located in Tampa Florida, that includes a 20,000 square foot building. The commercial lease is for a ten-year term, base rent under the lease is $362 per year with 3% increases to base rent each year.

17. Financial instruments and financial risk management

Financial instruments

The Company's financial instruments consist of cash, trade receivable, trade payable, accrued liabilities, derivative liabilities, notes payable, lease obligations, and other long-term liabilities.

Financial assets

(i) Cash is comprised of deposits held in financial institutions and cash on hand.

Financial liabilities

(i) Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(ii) Compound financial instruments issued by the Company comprise convertible notes payable that are convertible to share capital at either the option of the holder or upon consummation of a qualifying go-public transaction. The liability component of the compound financial instruments is initially recognized as the difference between the fair value of the derivative liability (i.e., conversion feature) and the fair value of the convertible notes payable. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method and the derivate liability is re-measured with subsequent changes in fair value.

(iii) Other financial liabilities include the Company's trade payable and accrued liabilities and notes payable. The effective interest method is used to calculate the amortized cost of a financial liability and allocates interest income over the corresponding period.

(iv) The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the reliability of the inputs to fair value measurements. The three levels of hierarchy are:

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

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

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

The carrying values of financial instruments at June 30, 2024 are summarized in the following table:

	Amortized cost	FVTPL	Total
Financial Assets			
Cash	8,483	—	8,483
Trade receivable	83	—	83
Financial Liabilities			
Trade payable	5,676	—	5,676
Accrued liabilities	10,445	—	10,445
Income taxes payable	28,666	—	28,666
Derivative liabilities	—	1,715	1,715
Notes payable	67,552	—	67,552
Lease obligations	41,025	—	41,025
Other long-term liabilities	3,447	—	3,447

The carrying values of financial instruments at December 31, 2023 are summarized in the following table:

	Amortized cost	FVTPL	Total
Financial Assets			
Cash	10,521	—	10,521
Trade receivable	215	—	215
Financial Liabilities			
Trade payable	5,525	—	5,525
Accrued liabilities	9,779	—	9,779
Income taxes payable	22,009	—	22,009
Derivative liabilities	—	9,109	9,109
Notes payable	61,402	—	61,402
Lease obligations	40,114	—	40,114
Other long-term liabilities	3,882	—	3,882

Financial risk management

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

(a) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of June 30, 2024 is the carrying amount of cash, trade receivable and note receivable. All cash is placed with major U.S. financial institutions. Credit risk from due from trade receivable and note receivable arises from the possibility that amounts due become uncollectible.

(b) Market risk

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market conditions.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

(i) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk.

The Company is not significantly exposed to other price risk with respect to its financial instruments, as their fair values and future cash flows are not impacted materially by fluctuations in market prices.

(ii) Currency risk

The consolidated operating results and consolidated financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of June 30, 2024, and December 31, 2023, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time as it deems its foreign currency exposure to be nominal.

(iii) 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 financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages 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.

The Company had the following contractual obligations as of June 30, 2024:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade payable	$ 5,676	$ -	$ -	$ -	$ 5,676
Accrued liabilities	10,445	-	-	-	10,445
Income taxes payable	28,666	-	-	-	28,666
Insurance financing	921	-	-	-	921
Notes payable	73,524	1,152	1,130	1,573	77,379
Lease obligations	7,669	15,785	14,118	30,885	68,457
Total	$ 126,901	$ 16,937	$ 15,248	$ 32,458	$ 191,544

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

The Company had the following contractual obligations as of December 31, 2023:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Trade payable	$ 5,525	$ -	$ -	$ -	$ 5,525
Accrued liabilities	9,779	-	-	-	9,779
Income taxes payable	22,009	-	-	-	22,009
Notes payable	9,160	69,761	1,110	1,850	81,881
Lease obligations	7,311	14,712	14,046	31,822	67,891
Total	$ 53,784	$ 84,473	$ 15,156	$ 33,672	$ 187,085

(d) Regulatory risk

Notwithstanding that most of the states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and leaves their cash holdings vulnerable.

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

18. Capital management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock and borrowings. Total managed capital is as follows:

	June 30, 2024	December 31, 2023
Notes payable	$ 67,552	$ 61,402
Share capital	183,690	183,690
Total managed capital	**$ 251,242**	**$ 245,092**

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the six months ended June 30, 2024.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

19. Finance costs

The Company's finance costs for the three and six months ended June 30, 2024 and 2023 are as follows:

	For the three months ended 2024	For the three months ended 2023	For the six months ended 2024	For the six months ended 2023
Interest income	$ (13)	$ (16)	$ (22)	$ (24)
Interest expense	2,284	2,221	4,492	4,422
Accretion costs	1,373	1,103	2,673	2,139
Interest on right of use assets	1,194	1,016	2,405	2,036
Other Income	(3)	-	(2)	-
Finance costs, net	**$ 4,835**	**$ 4,324**	**$ 9,546**	**$ 8,573**

20. Supplemental Cash Flow Information

The following table presents supplemental information for the six months ended June 30, 2024 and for the six months ended June 30, 2023:

	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Income taxes paid	$ 2,104	$ -
Interest paid	$ 4,436	$ 4,446

21. Employee Retention Tax Credits

During 2023, the Company made a determination that it was eligible to claim Employee Retention Tax Credits (ERTC) in the form of refunds of certain federal employment taxes as authorized and established under the CARES Act. As a result, in 2023 the Company filed amended employment tax returns for certain periods in 2021 to claim refunds related to the ERTC in the approximate amount of $4.1 million.

In August 2023, the Company executed an agreement to sell its ERTC for $3.4 million. The buyer shall have the right to put all or a portion of the ERTC back to the Company, whereupon the Company shall be obligated to pay a repurchase price within 10 business days after demand, equal to the portion of the claim amount, plus interest thereon at 10% per annum. As a result, the Company recorded a liability of $3.4 million. As of June 30, 2024, the buyer had not put or pulled any portion of the ERTC from the Company.

21. Transaction with RIV Capital Inc.

On May 30, 2024, the Company and RIV Capital Inc. entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which Cansortium will acquire all of the issued and outstanding Class A common shares of RIV Capital in exchange for Cansortium Shares (the "Arrangement"). The Arrangement is subject to the receipt of regulatory approval and the approval of RIV Capital Shareholders.

Under the terms of the Arrangement Agreement, RIV Capital shareholders (the "RIV Capital Shareholders") will receive 1.245 of a common share of Cansortium (the "Cansortium Shares") in exchange for each RIV Capital Share held. Upon closing of the Arrangement, current shareholders of Cansortium (the "Cansortium Shareholders") are expected to hold approximately 51.25% of the combined business of Cansortium and RIV Capital (the "Combined Company") and the RIV Capital Shareholders and The Hawthorne Collective, together, are expected to hold approximately 48.75% of the Combined Company, each on a fully diluted basis.

Hawthorne Notes Exchange

In connection with the execution of the Arrangement Agreement, the Company and The Hawthorne Collective entered into a letter agreement (the "Notes Exchange Side Letter"), pursuant to which The Hawthorne Collective will, on the business day immediately prior to the closing date of the Arrangement, exchange its existing unsecured convertible notes that were issued for an aggregate principal amount of US$175,000,000, including any accrued and unpaid interest, payable by RIV Capital, for a newly created class of shares of Cansortium (the "Hawthorne Notes Exchange"). The Hawthorne Notes Exchange is predicated on the Arrangement closing and the approval by Cansortium Shareholders of the newly created class of non-voting "Exchangeable Shares". The Exchangeable Shares are convertible into common shares of Cansortium Inc. and will include nomination, participation and other rights in favor of The Hawthorne Collective until converted.

Smith Transaction

In connection with the Arrangement, Cansortium and certain of its affiliates and William Smith, a director and the Executive Chair of Cansortium, and certain companies controlled by Mr. Smith (together with Mr. Smith, collectively, the "Smith Group"), entered into a termination agreement (the "Smith Transaction Termination Agreement"). The Smith Transaction Termination Agreement terminates the Equity Price Guarantee. Pursuant to the terms of the Smith Transaction Termination Agreement, upon consummation of the Arrangement, the Smith Group will no longer be entitled to the Equity Price Guarantee (and, in the interim, so long as the Smith Transaction Termination Agreement has not been terminated, the Smith Entities have agreed not to exercise the Equity Price Guarantee), and in consideration thereof, on closing of the Arrangement, Cansortium will, among other things, issue to the Smith Group a 15% secured subordinated convertible note in an initial aggregate principal amount of US$6,500,000 payable three years from the date of issuance (the "Smith Convertible Note"). Upon issuance, the Smith Convertible Note will be guaranteed by, and secured by a junior lien on substantially all assets of, Cansortium and its subsidiaries, and will be subordinated in right of payment to prior payment in full of the Term Loan (and any "eligible refinancing" of the Term Loan). The Smith Convertible Note will be convertible, at the discretion of the Smith Group, into Cansortium Shares at a price of US$0.21 per Cansortium Share. Assuming full conversion of the Smith Convertible Note, including the full amount of the anticipated accrued interest over the life of the Smith Convertible Note, the Smith Group would be entitled to receive 44,880,952 Cansortium Shares, representing approximately 15% of Cansortium's outstanding Cansortium Shares on a partially diluted basis based on the current number of non-diluted Cansortium Shares outstanding. The Smith Transaction Termination Agreement is conditioned upon the closing of the Arrangement.

Credit Agreement Amendment

In connection with entering into the Arrangement Agreement, Cansortium obtained the consent of the Required Lenders under its Term Loan to the Arrangement and certain concurrent transactions in accordance with, and subject to the terms and conditions set forth in, an amendment to the Term Loan (the "Amended Term Loan"). Among other things, the Amended Term Loan provides that, (a) upon consummation of the Arrangement, RIV Capital and its subsidiaries shall become loan parties under the Amended Term Loan and shall pledge their assets to secure the Amended Term Loan; (b) the Consolidated Leverage Ratio (as defined in the Amended Term Loan), for purposes of triggering a prepayment of the loans under the Amended Term Loan, was amended to (i) 2.5:1.0 for fiscal quarter of the Borrower ending March 31, 2022 and each fiscal quarter thereafter prior to the fiscal quarter in which the Arrangement is consummated and (ii) 3.0:1.0 for the fiscal quarter in which the Arrangement is consummated and each fiscal quarter thereafter; (c) the Consolidated Interest Coverage (as defined in the Amended Term Loan) covenant was amended to (i) 2:5:1:0 for the period of March 31, 2022 through the fiscal quarter immediately prior to the fiscal quarter in which the Arrangement is consummated and (ii) 1.2:1.0 for the fiscal quarter in which the Arrangement is consummated and each fiscal quarter thereafter; (d) the Minimum Liquidity (as defined in the Amended Term Loan) covenant was amended to provide that (i) the quarterly Minimum Liquidity shall apply up to the fiscal quarter immediately prior to the fiscal quarter in which the Arrangement is consummated and (ii) commencing with the calendar month in which the Arrangement is consummated and each calendar month thereafter, Liquidity (as defined in the Amended Term Loan) shall be not less than US$10,000,000; (e) on the Arrangement closing date, after giving effect to the Arrangement and the pay-down required under the Amended Term Loan, pro forma Liquidity shall be not less than US$10,000,000; (f) upon consummation of the Arrangement, Cansortium will prepay US$10,000,000 of the principal amount outstanding under the Amended Term Loan, together with accrued interest and the applicable Prepayment Premium (as defined in the Amended Term Loan) thereon (if applicable); and (g) certain additional covenants events of default were added.

23. Subsequent events

The Company has evaluated subsequent events through August 22, 2024, which is the date these condensed interim consolidated financial statements were issued and no material subsequent events were noted.