



CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

ENTOURAGE HEALTH CORP.

For the three months ended
March 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

Entourage Health Corp.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

(Unaudited)

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MANAGEMENT'S RESPONSIBILITY STATEMENT

The management of Entourage Health Corp. (the "Company"), is responsible for preparing the condensed interim consolidated financial statements, the notes to the condensed interim consolidated financial statements and other financial information contained in these condensed interim consolidated financial statements (the "condensed interim consolidated financial statements").

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements are considered by management to present fairly the Company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the condensed interim consolidated financial statements.

George Scorsis, Chief Executive Officer
May 29, 2023

Notice of No Auditor's Review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim consolidated financial statements of Entourage Health Corp.

The accompanying condensed interim consolidated financial statements (unaudited) of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Chartered Professional Accountants (CPA) Canada for a review of interim financial statements by an entity's auditors.

Entourage Health Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited- Expressed in Canadian dollars)

	Note	March 31, 2023	December 31, 2022
Assets			
Current			
Cash		\$ 15,551,057	\$ 9,075,257
Restricted cash	8	2,100,000	2,100,000
Trade and other receivables	18	5,206,034	4,025,494
Inventory	3	15,304,823	14,088,980
Biological assets	3	—	695,712
Prepaid expenses and deposits	16	1,244,926	1,053,036
Commodity tax receivable		301,892	466,837
		39,708,732	31,505,316
Assets held for sale	6	8,580,000	8,580,000
Total current assets		48,288,732	40,085,316
Prepaid expenses and deposits	16	1,717,652	1,717,652
Property, plant and equipment	5	4,550,499	4,663,660
Total assets		\$ 54,556,883	\$ 46,466,628
Liabilities			
Current			
Accounts payable and accrued liabilities	17	\$ 11,148,096	\$ 13,170,713
Current portion of lease liabilities	4	211,634	284,420
Current portion of loans and borrowings	8	147,965,152	128,423,830
Total current liabilities		159,324,882	141,878,963
Lease liabilities	4	646,237	677,183
Loans and borrowings	8	4,412,988	4,263,053
Unsecured convertible debentures	7	894,593	886,364
Total liabilities		\$ 165,278,700	\$ 147,705,563
Shareholders' deficiency			
Common shares	9	\$ 186,182,397	\$ 186,140,597
Warrants reserve	10	1,384,884	8,833,643
Conversion feature		112,095	112,095
Contributed surplus	11	30,482,388	23,042,751
Accumulated deficit		(328,883,581)	(319,368,021)
Total shareholders' deficiency		(110,721,817)	(101,238,935)
Total liabilities and shareholders' deficiency		\$ 54,556,883	\$ 46,466,628
Going concern (Note 2)			
Commitments and contingencies (Note 20)			
Subsequent events (Note 24)			
See accompanying notes			

"George Scorsis" (signed)
Director

"Bruce Croxon" (signed)
Director

Entourage Health Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited- Expressed in Canadian dollars)

For the three months ended March 31,	Note	2023	2022
Revenue	18	\$ 15,107,445	15,770,569
Excise taxes		(3,273,709)	(3,346,599)
Revenue, net		11,833,736	12,423,970
Cost of goods sold		(8,831,543)	(9,686,786)
Gross profit before changes in fair value		3,002,193	2,737,184
Realized fair value amounts previously included in inventory		(1,493,973)	1,326,699
Unrealized loss (gain) on changes in fair value of biological assets	3	501,501	(528,291)
Gross profit		3,994,665	1,938,776
Depreciation and amortization	5	7,635	7,401
Selling, general and administrative expenses	12	7,932,115	6,669,698
Finance costs	13	5,566,813	3,815,705
Share based compensation	11	32,678	209,571
Loss before other (expenses) income		(9,544,576)	(8,763,599)
Other income, net	23	29,016	—
Net loss and comprehensive loss		(9,515,560)	(8,763,599)
Basic and diluted loss per share	14	\$ (0.03)	(0.03)

See accompanying notes

Entourage Health Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(Unaudited- Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Warrants Reserve	Conversion Feature	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2021		303,976,702	\$ 185,813,639	\$ 13,341,946	\$ 1,626,120	\$ 16,865,880	\$ (196,221,574)	\$ 21,426,011
Share based compensation	11	—	—	—	—	209,571	—	209,571
Loss and comprehensive loss		—	—	—	—	—	(8,763,599)	(8,763,599)
Balance, March 31, 2022		303,976,702	\$ 185,813,639	\$ 13,341,946	\$ 1,626,120	\$ 17,075,451	\$ (204,985,173)	\$ 12,871,983
Balance, December 31, 2022		306,744,396	\$ 186,140,597	\$ 8,833,643	\$ 112,095	\$ 23,042,751	\$ (319,368,021)	\$ (101,238,935)
Share based compensation	11	—	—	—	—	32,678	—	32,678
Transfer on expiry of warrants	10 (d)	—	—	(7,448,759)	—	7,448,759	—	—
Shares issued on exercise of deferred stock units	9 (b)	220,000	41,800	—	—	(41,800)	—	—
Loss and comprehensive loss		—	—	—	—	—	(9,515,560)	(9,515,560)
Balance, March 31, 2023		306,964,396	\$ 186,182,397	\$ 1,384,884	\$ 112,095	\$ 30,482,388	\$ (328,883,581)	\$ (110,721,817)

See accompanying notes

Entourage Health Corp.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited- Expressed in Canadian dollars)

For the three months ended March 31,	Note	2023	2022
Cashflows provided by (used in):			
Operating			
Net loss		\$ (9,515,560)	\$ (8,763,599)
Adjustments for:			
Depreciation and amortization		64,627	1,522,135
Impairment of inventory included in cost of goods sold	3	1,114,569	592,468
Share based compensation	11	32,678	209,571
Finance costs	13	5,566,813	3,815,705
Realized fair value amounts previously included in inventory	3	(1,493,973)	1,326,699
Unrealized (gain) on changes in fair value of biological assets and inventory	3	501,501	(528,291)
		(3,729,345)	(1,825,312)
Change in non-cash working capital	15	(3,836,112)	(5,558,101)
		\$ (7,565,457)	\$ (7,383,413)
Investing			
Purchase of property, plant and equipment	5	(20,502)	(1,306,641)
Proceeds from disposal of property, plant and equipment		—	62,801
		\$ (20,502)	\$ (1,243,840)
Financing			
Proceeds from loan financing, net of transaction costs	8	14,773,542	—
Payment of lease liabilities	4	(118,283)	(384,391)
Repayment of loans and borrowings	8	—	(1,857,500)
Interest paid	8	(593,500)	(762,950)
		\$ 14,061,759	\$ (3,004,841)
Increase (Decrease) in cash		6,475,800	(11,632,094)
Cash, beginning of the period		11,175,257	21,516,073
Cash, end of the period		\$ 17,651,057	\$ 9,883,979
Cash		15,551,057	9,783,979
Restricted cash		2,100,000	100,000
		\$ 17,651,057	\$ 9,883,979

See accompanying notes

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

1. Nature of Operations

Entourage Health Corp. is the publicly traded parent company of Entourage Brands Corp., a federally licensed producer and distributor of cannabis products for both the medical and adult-use markets. The Company has three facilities: i) indoor facility in Aylmer, Ontario (“Aylmer Facility”) which specializes in cannabis extraction and processing, ii) greenhouses, outdoor licensed production space located in Strathroy, Ontario (“Strathroy Facility”).

The condensed interim consolidated financial statements of the Company for the three months ended March 31, 2023 and for the year ended December 31, 2022, are comprised of Entourage Health Corp. and its wholly-owned subsidiaries: Entourage Brands Corp., 2686912 Ontario Limited, 2686913 Ontario Inc., CannTx Life Sciences Inc. (“CannTx” was acquired on October 29, 2021), Pioneer Cannabis Corp. (“Pioneer”) (50.1% ownership- inactive Company with no assets and liabilities) and Starseed Holdings Inc. and North Star Wellness Inc. (collectively, “Entourage” or the “Company”).

Entourage is a publicly listed company on the TSX Venture Exchange (“TSXV”) that trades under the ticker symbol “ENTG-V”. The Company is also listed on the OTCQX under the ticker symbol “ETRGF” and on the Frankfurt Stock Exchange under the ticker symbol “4WE”. The registered and head office of the Company is located at 50 Elm St, Aylmer, ON N5H 2M8.

2. Basis of preparation

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements of Entourage Health Corp. for the years ended December 31, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 29, 2023.

b) Basis of presentation

The condensed interim consolidated financial statements have been prepared on an historical cost basis except for biological assets, which are measured at fair value and asset held for sale that are measured at the lower of carrying value and fair value less cost to sell.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency of the condensed interim consolidated financial statements.

c) Basis of consolidation

The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date control ceases.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed interim consolidated financial statements.

d) Accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. 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 revision affects both current and future periods.

e) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations. Accordingly, these condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from financing and operating activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

As of March 31, 2023, the Company had a working capital deficiency of \$(111,036,150) and an accumulated deficit of \$328,883,581. For the three months ended, the Company used cash in operating activities of \$7,565,457, resulting primarily from the net loss of \$9,515,560 offset by items not affecting cash such as depreciation, amortization, and stock-based compensation. The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

The Company anticipates it has sufficient cash on hand to service its liabilities and fund operating costs for the immediate future with the additional sources of funding actually received in February 2023, as well as additional funding expected during 2023 (Note 24). However, there is uncertainty as to how long these funds will last. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

In November 2022, the Company announced the planned closure of its Strathroy facility and the execution of a long-term cannabis supply agreement with Hexo Corp. These two strategic initiatives were done in an effort to attain profitability and positive cash flow from operations; however, the timing of when this will occur is subject to material uncertainty. The Company is in the process of obtaining a waiver subsequent to quarter end for its credit facility with Liuna Pension Fund ("LPF") and BMO.

f) New and Amended Accounting Pronouncements

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17, which replaced IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. In June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges identified after IFRS 17 was published in 2017. The amendments also deferred the effective date for two years to January 1, 2023. The Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

Clarifying Distinction Between Accounting Policies and Accounting Estimates

In February 2021, the IASB issued narrow-scope amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”). The amendments to IAS 8 clarify how companies distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The Company assessed the impact of the amendment and determined there to be no material impact on the condensed interim consolidated financial statements.

Accounting pronouncements not yet effective

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

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 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 consolidated balance sheets. The amendments also improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company intends to adopt the amendments in its condensed interim consolidated financial statements or the annual period beginning January 1, 2024. The Company is currently assessing the impact of the amendment.

Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 – Leases (“IFRS 16”) relating to sale leaseback transactions for seller-lessees. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

3. Inventory and Biological Assets

Inventory

Inventory is comprised of the following and is valued at the lower of cost and net realizable value:

	March 31, 2023	December 31, 2022
	Amount	Amount
Dried cannabis	\$ 11,962,858	\$ 10,646,652
Harvested work in progress	—	350,395
Extracts		
Resin	87,079	64,948
Crude oil	655,868	486,451
Finished oil	1,309,409	1,281,679
Non-cannabis inventory	1,289,609	1,258,855
	\$ 15,304,823	\$ 14,088,980

During the three months ended March 31, 2023, the Company recognized impairment of inventory amounting \$1,114,569 (March 31, 2022 - \$ 592,469) included in cost of goods sold and \$(1,387,493) (March 31, 2022 – \$(331,804)) included in realized fair value amounts previously included in inventory in the statements of loss and comprehensive loss.

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
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Biological assets

The Company's biological assets consist of cannabis plants.

The changes in carrying value of the Company's biological assets are as follows:

Carrying amount, December 31, 2021	\$	607,175
Changes in fair value less costs to sell due to biological transformation		(4,525,559)
Production costs capitalized		9,175,750
Transferred to inventory upon harvest		(4,561,654)
Carrying amount, December 31, 2022	\$	695,712
Changes in fair value less costs to sell due to biological transformation		(501,501)
Production costs capitalized		805,227
Transferred to inventory upon harvest		(999,438)
Carrying amount, March 31, 2023	\$	—

All of the plants have been harvested as agricultural produce as at March 31, 2023. Plants were up to ten weeks from harvest as at December 31, 2022 and the maximum life cycle was estimated to be one hundred and twelve days as at December 31, 2022. The Company did not hold plants to be sold as live plants at March 31, 2023 and December 31, 2022. Biological assets, if any, are classified as level 3 in the fair value hierarchy.

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period, unharvested plants are adjusted to fair value less costs to complete and sell based on the estimated yield for harvests in progress. At the point of harvest or before they are transferred to Inventory, biological assets are adjusted to fair value less costs to complete and sell based on the actual yield in grams. At each reporting period, costs incurred up to harvest are capitalized to biological assets when the costs are incurred, fair value adjustments are recorded to reflect the difference between the capitalized costs and fair value less costs to complete and sell. Cannabis which has been harvested is transferred to inventory at the full biological asset carrying value, comprised of capitalized costs and fair value adjustments, for each harvest.

The significant assumptions used in determining the fair value of cannabis plants are as follows:

- Expected yield by plant adjusted for expected wastage;
- Percentage of costs incurred to date compared to the total expected costs to be incurred over the life of the plant;
- Expected weighted average selling price per gram of harvested cannabis based on the weighted average historical selling price adjusted based on expected future sales prices and mix;
- Expected remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory; and
- Expected percentage complete based on number of days remaining over the life of the plant.

The Company estimates harvest yields for the plants at various stages of growth. As of March 31, 2023, the Company's biological assets have been harvested (December 31, 2022: 1,521,850 grams). The weighted average selling price used in the valuation was \$0.65 per gram as at December 31, 2022 and is based on a normalized historical average selling price, adjusted based on expected future sales prices and mix. The Company estimates percentage of costs incurred based on the stage of growth. The Company estimated that as at December 31, 2022, the Company's plants have achieved 69% of their expected growth.

The Company's estimates, if any, are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets using the most sensitive inputs to the fair value methodology. The Company does not have any biological assets as at March 31, 2023. The following table quantifies each significant unobservable input, and also provides the impact of a reasonable increase/decrease that each input would have on the fair value of the Company's greenhouse biological assets as at December 31, 2022.

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

	December 31, 2022	Percentage change used in sensitivity analysis	Change resulting for reasonable variance as at December 31, 2022
	Valuation inputs		
Increase or decrease of Selling price	0 to 0.81	10%	\$ 69,571
Increase or decrease of Yield by plant	64 grams	10%	\$ 69,571
Increase in average life cycle	100 days	10%	\$ (64,433)
Decrease in average life cycle	100 days	10%	\$ 69,571
Increase in percentage of costs to harvest incurred to date	69%	10%	\$ 69,571
Decrease in percentage of costs to harvest incurred to date	69%	10%	\$ (69,571)

4. Right-of-Use Assets and Lease Liabilities

The following is a breakdown of the carrying amount of the Right-of-Use assets as at March 31, 2023:

	Building	Equipment	Vehicle	Total
Cost				
As at, December 31, 2021	\$ 4,572,935	637,364	7,968	5,218,267
Additions	—	—	—	—
As at December 31, 2022	\$ 4,572,935	637,364	7,968	5,218,267
As at March 31, 2023	\$ 4,572,935	637,364	7,968	5,218,267
Accumulated Depreciation / Impairment				
As at, December 31, 2021	\$ (4,572,935)	(637,364)	(7,968)	(5,218,267)
As at December 31, 2022	\$ (4,572,935)	(637,364)	(7,968)	(5,218,267)
As at March 31, 2023	\$ (4,572,935)	(637,364)	(7,968)	(5,218,267)
Net book value				
As at December 31, 2022	\$ —	\$ —	\$ —	\$ —
As at March 31, 2023	\$ —	\$ —	\$ —	\$ —

The following is a breakdown of the carrying amount of the Lease liabilities as at March 31, 2023:

	Building	Equipment	Vehicle	Total
Lease liability, December 31, 2021	\$ 2,940,052	\$ —	\$ 15	\$ 2,940,067
Interest	121,882	—	—	121,882
Payments	(1,295,022)	—	—	(1,295,022)
Modification	(805,324)	—	—	(805,324)
Lease liability, December 31, 2022	\$ 961,588	\$ —	\$ 15	\$ 961,603
Interest	14,551	—	—	14,551
Payments	(118,283)	—	—	(118,283)
Lease liability, March 31, 2023	\$ 857,856	\$ —	\$ 15	\$ 857,871
For the year ended December 31, 2022				
Short Term Portion	\$ 284,405	\$ —	\$ 15	\$ 284,420
Long Term Portion	\$ 677,183	\$ —	\$ —	\$ 677,183
For the three months ended March 31, 2023				
Short Term Portion	\$ 211,619	\$ —	\$ 15	\$ 211,634
Long Term Portion	\$ 646,237	\$ —	\$ —	\$ 646,237

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

The lease commitment schedule for all future lease payments is outlined in the table below:

	March 31, 2023	December 31, 2022
Less than one year	\$ 254,756	\$ 332,477
1 to 5 years	515,592	522,650
Greater than 5 years	249,949	283,453
Gross lease liabilities	1,020,297	1,138,580
Interest on lease liabilities	162,426	176,977
Net lease liabilities	\$ 857,871	\$ 961,603

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

5. Property, Plant and Equipment

	Land	Building	Equipment	Fence & signage	Leasehold improvements	Construction in progress	Total
Cost							
Balance as at December 31, 2022	340,629	5,331,041	14,715,716	195,728	4,966,419	78,500	25,628,033
Additions	—	—	20,502	—	—	—	20,502
Balance as at March 31, 2023	340,629	5,331,041	14,736,218	195,728	4,966,419	78,500	25,648,535
Accumulated Depreciation / Impairment							
Balance as at December 31, 2022	(52,629)	(2,721,043)	(12,950,054)	(195,728)	(4,966,419)	(78,500)	(20,964,373)
Depreciation	—	(46,313)	(87,350)	—	—	—	(133,663)
Balance as at March 31, 2023	(52,629)	(2,767,356)	(13,037,404)	(195,728)	(4,966,419)	(78,500)	(21,098,036)
Net Book Value							
Balance as at December 31, 2022	288,000	2,609,998	1,765,662	—	—	—	4,663,660
Balance as at March 31, 2023	288,000	2,563,685	1,698,814	—	—	—	4,550,499

Entourage Health Corp.

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	Land	Building	Equipment	Fence & signage	Leasehold improvements	Construction in progress	Total
Cost							
Balance as at December 31, 2021	3,808,002	87,805,209	19,051,346	663,648	4,297,500	284,208	115,909,913
Additions	—	—	1,028,049	—	668,919	—	1,696,968
Transfers	—	—	205,708	—	—	(205,708)	—
Disposal	—	(48,400)	(595,906)	—	—	—	(644,306)
Transfer to assets held for sale	(3,467,373)	(82,425,768)	(4,973,481)	(467,920)	—	—	(91,334,542)
Balance as at December 31, 2022	340,629	5,331,041	14,715,716	195,728	4,966,419	78,500	25,628,033
Accumulated Depreciation / Impairment							
Balance as at December 31, 2021	(561,111)	(23,073,373)	(9,484,930)	(252,817)	(795,675)	(41,878)	(34,209,784)
Transfers	—	—	(30,311)	—	—	30,311	—
Depreciation	—	(3,243,219)	(1,842,561)	(36,275)	(1,986,889)	—	(7,108,944)
Disposal	—	6,382	235,887	—	—	—	242,269
Impairment	(135,558)	(54,067,837)	(5,813,717)	(374,556)	(2,183,855)	(66,933)	(62,642,456)
Net held for sale	644,040	77,657,004	3,985,578	467,920	—	—	82,754,542
Balance as at December 31, 2022	(52,629)	(2,721,043)	(12,950,054)	(195,728)	(4,966,419)	(78,500)	(20,964,373)
Net Book Value							
Balance as at December 31, 2021	3,246,891	64,731,836	9,566,416	410,831	3,501,825	242,330	81,700,129
Balance as at December 31, 2022	288,000	2,609,998	1,765,662	—	—	—	4,663,660

For the three months ended March 31, 2023, depreciation of \$125,659 and \$369 has been capitalized in inventory and biological assets, respectively (for the three months ended March 31, 2022 - \$635,044 and \$880,036, respectively).

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

6. Assets held for Sale

	March 31, 2023	December 31, 2022
Property, plant and equipment	\$ 8,580,000	\$ 8,580,000

Strathroy and Guelph Facilities

On November 15, 2022, the Company announced it would phase out its Strathroy and Guelph Facilities to align with their strategic priorities and address ongoing business transformation plans.

Guelph Facility: The Guelph Facility is a leased facility and the right of use asset was fully impaired during the year ended December 31, 2021. On November 15, 2022, the Company impaired the Guelph Facility assets to nil prior to the transfer to asset held for sale; therefore, assets were reclassified as assets held for sale at a nil value as at March 31, 2023 and December 31, 2022.

Strathroy Facility: During the year ended December 31, 2022, the Company committed to a plan to dispose of certain assets comprising property, plant and equipment pertaining to Strathroy Facility, within the next twelve months, and accordingly, reclassified these assets with a carrying value of \$8,580,000 to assets held for sale. Impairment was recorded prior to the transfer to asset held for sale. Subsequent to three months ended March 31, 2023, the Company entered into a firm agreement to sell the Strathroy Facility to a third party and has ceased operations in the Strathroy Facility in Q2 2023 (Note 24).

7. Unsecured Convertible Debentures

	Debentures	
Balance, December 31, 2021	\$	12,120,792
Accretion of debentures		1,003,976
Settlement of debentures		(12,218,340)
Gain on modification of debenture		(81,068)
Accretion of acquisition debentures		61,004
Balance, December 31, 2022	\$	886,364
Accretion of debentures		8,229
Balance, March 31, 2023	\$	894,593

As at December 31, 2022

Short Term Portion	—
Long Term Portion	886,364

As at March 31, 2023

Short Term Portion	—
Long Term Portion	894,593

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

8. Loans and Borrowings

Maturity date	Financial Institution			Liuna Pension Fund ("LPF")	1217174 Ontario LTD		
	Facility 1	Facility 2	Facility 3	December 2024	October 2026		
				Term loan	Canntx Loan	Canntx short term loan	Total
Balance, December 31, 2021	\$ 2,930,157	\$ 26,256,609	\$ 2,016,621	\$ 55,389,677	\$ 3,674,615	\$ 31,950	\$ 90,299,629
Proceeds	—	—	—	38,314,858	—	—	38,314,858
Acquisition	—	—	—	—	—	—	—
Interest	178,289	1,180,543	104,568	12,171,855	362,250	—	13,997,505
Gain on loan modification	(45,911)	(167,848)	(23,824)	(3,381,883)	—	—	(3,619,466)
Repayment	(1,793,810)	(3,315,000)	(600,000)	—	—	—	(5,708,810)
Accretion	32,955	99,224	12,419	999,219	226,188	—	1,370,005
Interest payments	(180,625)	(1,659,518)	(126,695)	—	—	—	(1,966,838)
Balance, December 31, 2022	\$ 1,121,055	\$ 22,394,010	\$ 1,383,089	\$ 103,493,726	\$ 4,263,053	\$ 31,950	\$ 132,686,883
Proceeds	—	—	—	14,773,542	—	—	14,773,542
Interest	26,789	536,839	29,871	4,740,749	155,250	—	5,489,498
Accretion	3,358	19,481	4,193	—	(5,315)	—	21,717
Interest payments	(26,789)	(536,840)	(29,871)	—	—	—	(593,500)
Balance, March 31, 2023	\$ 1,124,413	\$ 22,413,490	\$ 1,387,282	\$ 123,008,017	\$ 4,412,988	\$ 31,950	\$ 152,378,140

As at December 31, 2022

Short Term Portion	128,423,830
Long Term Portion	4,263,053

As at March 31, 2023

Short Term Portion	147,965,152
Long Term Portion	4,412,988

a) Credit Facility with Financial Institution - Bank of Montreal (BMO)

The Company was in breach to comply with its financial covenant to maintain a certain minimum quarterly EBITDA target as at March 31, 2023. However, the Company is in the process of obtaining a written waiver for the breach hence classified as current liability in the statements of financial position as at March 31, 2023.

b) Credit facility with LiUNA Pension Fund of Central and Eastern Canada ("LPF")

On January 31, 2023, the Company amended its credit facility with LPF and received the second tranche of funding of \$15,000,000 less transaction costs of \$226,458. The Credit Facility continues to bear an interest rate of 15.25% with the option, at the Company's discretion, to capitalize interest in lieu of cash payments of interest and is set to mature on December 31, 2024.

The Credit Facility is secured by the assets of the Company and its subsidiaries, including the Company's production facilities, and contains customary financial and other covenants, as well as typical conditions precedent for a transaction of this nature. LPF's security under the Credit Facility is in second position to the Company's senior creditor.

The Company was in breach to comply with its financial covenant to maintain a certain minimum quarterly EBITDA target as at March 31, 2023. However, the Company is in the process of obtaining a written waiver for the breach hence classified as current liability in the statements of financial position as at March 31, 2023.

c) 1217174 Ontario LTD

During the three months ended March 31, 2023, the Company incurred \$155,250 (three months ended March 31, 2022- \$77,625) in interest and \$(5,315) (three months ended March 31, 2022- \$63,587) in accretion expense relating to these loans.

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

9. Share Capital

	Note	Number of shares	Amount
Balance as at December 31, 2021		303,976,702	\$ 185,813,639
Issuance of shares on exercise of DSU's	9 (a)	2,767,694	326,958
Balance as at December 31, 2022		306,744,396	\$ 186,140,597
Issuance of shares on exercise of DSU's	9 (b)	220,000	\$ 41,800
Balance as at March 31, 2023		306,964,396	186,182,397

- a) During the year ended December 31, 2022, the Company settled 2,767,694 Deferred stock units ("DSU's") given to certain directors of the Company for one common share each. These DSU's were valued at \$326,958 based on the fair market value at the grant date. Accordingly, this fair market value was transferred from Contributed Surplus to Share Capital on settlement.
- b) During the three months ended March 31, 2023, the Company settled 220,000 Deferred stock units ("DSU's") given to certain officers of the Company for one common share each. These DSU's were valued at \$41,800 based on the fair market value at the grant date. Accordingly, this fair market value was transferred from Contributed Surplus to Share Capital on settlement.

10. Warrants Reserve**Warrants Reserve**

	Note	Number of Warrants	Warrants reserve
Balance as at December 31, 2021		36,047,165	\$ 13,341,946
less: broker warrants expired	10 (a)	(983,624)	(364,064)
less: warrants expired	10 (b & c)	(11,196,875)	(4,144,240)
Balance as at December 31, 2022		23,866,666	\$ 8,833,643
less: warrants expired	10 (d)	(20,125,000)	\$ (7,448,759)
Balance as at March 31, 2023		3,741,666	1,384,884

- a) 983,623 broker warrants issued on September 25, 2019 expired unexercised on September 24, 2022 and have been transferred to contributed surplus from warrant reserve in the consolidated financial statements of changes in shareholders' (deficiency).
- b) 8,196,875 warrants issued on September 25, 2019 expired unexercised on September 24, 2022 and have been transferred to contributed surplus from warrant reserve in the consolidated financial statements of changes in shareholders' (deficiency).
- c) 3,000,000 warrants issued on November 21, 2017 expired unexercised on November 20, 2022 and have been transferred to contributed surplus from warrant reserve in the consolidated financial statements of changes in shareholders' (deficiency).
- d) 20,125,000 warrants issued on March 12, 2021 expired unexercised on March 11, 2023 and have been transferred to contributed surplus from warrant reserve in the consolidated financial statements of changes in shareholders' (deficiency).

The table below summarizes the number of warrants outstanding as of as of March 31, 2023:

Exercise price (\$)	Expiry Date	Warrants #
2.5	March 28, 2024	625,000
0.35	December 15, 2024	3,116,666
Total		3,741,666

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

The table below summarizes the number of warrants outstanding as of as of December 31, 2022:

Exercise price (\$)	Expiry Date	Warrants #
0.48 - 0.60	March 11, 2023	20,125,000
2.5	March 28, 2024	625,000
0.35	December 15, 2024	3,116,666
Total		23,866,666

11. Contributed Surplus

The Company has established a stock option plan for its directors, officers, employees and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

	Note	Number of options	Contributed surplus
Balance as at December 31, 2021		12,090,616	\$ 16,865,880
Stock options forfeited		(1,105,338)	—
Stock options expired	11 (a)	(2,646,638)	—
Transfer of conversion feature on settlement of unsecured convertible debentures	7 (a)	—	1,514,025
Transfer on expiry of warrants	10 (a,b,c)	—	4,508,303
Stock options granted	11 (g)	50,000	3,172
Share based compensation	11 (h)	—	8,137
Deferred stock units issued	11 (b,c,d,e,f)	—	470,192
Deferred stock units converted to shares	9 (a)	—	(326,958)
Balance as at December 31, 2022		8,388,640	\$ 23,042,751
Stock options forfeited		(300,000)	—
Stock options expired	11 (a)	(2,261,500)	—
Deferred stock units converted to shares	9 (b)	—	(41,800)
Transfer on expiry of warrants	10 (d)	—	7,448,759
Deferred stock units issued	11 (h)	—	32,678
Balance as at March 31, 2023		5,827,140	30,482,388

- a) Stock options expired during the three months ended March 31, 2023 and year ended December 31, 2022 as a result of unexercised employee options.
- b) On March 31, 2022, the Company determined and authorized the grant of an aggregate of 1,911,290 deferred share units (“DSUs”) to certain directors and employees of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first quarter of 2022. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be \$204,155.
- c) On June 10, 2022, the Company determined and authorized the grant of an aggregate of 788,793 deferred share units (“DSUs”) to directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the second quarter of 2022. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be \$43,384.
- d) On June 30, 2022, the Company determined and authorized the grant of an aggregate of 1,454,544 deferred share units (“DSUs”) to directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the second quarter of 2022. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be \$95,938.

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

- e) On September 30, 2022, the Company determined and authorized the grant of an aggregate of 2,666,668 deferred share units (“DSUs”) to directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the third quarter of 2022. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be \$82,079.
- f) On December 31, 2022, the Company determined and authorized the grant of an aggregate of 4,000,000 deferred share units (“DSUs”) to directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the third quarter of 2022. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be \$44,636.
- g) During year ended December 31, 2022, the Company granted 50,000 options to an employee. Each option is exercisable into one common share at an exercise price of \$0.40, until December 8, 2026. One third options are vested every 6 months. The fair value of the Options has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) the expected volatility of 159.49% is based on Company specific historical volatility; (iii) risk-free interest rate of 1.51%; (iv) share price of \$0.075; (v) forfeiture rate of nil; and (vi) expected life of 60 months. The total fair value of the options is \$3,172.
- h) On March 31, 2023, the Company determined and authorized the grant of an aggregate of 1,600,000 deferred share units (“DSUs”) to certain directors of the Company based on the fair value of the services provided. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first quarter of 2023. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be \$32,678.

Total share-based compensation pertaining to options for the three months ended March 31, 2023 and 2022 are as follows:

For the three months ended March 31,	2023	2022
Share based compensation	\$ —	5,416
Deferred stock units issued	32,678	204,155
Total	\$ 32,678	209,571

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Notes to the Condensed Interim Consolidated Financial Statements
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As at March 31, 2023, 5,827,140 shares have been reserved for stock options as follows:

Exercise price	Number of options outstanding	Number of options exercisable	Remaining life (years)	Weighted average remaining life (years)	Weighted average exercise price
1.80	400,000	400,000	0.13	0.01	0.12
2.07	500,000	500,000	0.44	0.04	0.18
1.95	200,000	200,000	0.53	0.02	0.07
1.53	440,500	440,500	0.78	0.06	0.12
3.26	142,640	142,640	0.59	0.01	0.08
0.40	1,019,000	1,019,000	2.30	0.40	0.07
0.40	125,000	125,000	3.50	0.08	0.01
0.50	700,000	700,000	0.45	0.05	0.06
0.85	200,000	200,000	0.39	0.01	0.03
0.85	600,000	600,000	1.72	0.18	0.09
0.85	25,000	25,000	0.26	—	0.00
0.85	145,000	145,000	0.20	—	0.02
0.85	50,000	50,000	0.26	—	0.01
1.00	10,000	10,000	0.66	—	0.00
1.25	5,000	5,000	0.38	—	0.00
1.25	10,000	10,000	0.73	—	0.00
1.48	440,000	440,000	1.93	0.15	0.11
1.75	105,000	105,000	0.49	0.01	0.03
1.75	250,000	250,000	0.48	0.02	0.08
1.75	60,000	60,000	0.72	0.01	0.02
1.75	250,000	250,000	0.76	0.03	0.08
1.75	100,000	100,000	1.36	0.02	0.03
0.40	50,000	41,667	3.69	0.03	0.00
	5,827,140	5,818,807			1.20

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

As at December 31, 2022 – 8,388,640 shares have been reserved for stock options as follows:

Exercise price	Number of options outstanding	Number of options exercisable	Remaining life (years)	Weighted average remaining life (years)	Weighted average exercise price
2.36	1,098,000	1,098,000	0.03	—	0.31
1.80	400,000	400,000	0.38	0.02	0.09
2.07	500,000	500,000	0.68	0.04	0.12
1.95	200,000	200,000	0.78	0.02	0.05
1.53	440,500	440,500	1.02	0.05	0.08
1.52	10,000	10,000	1.52	—	0.00
3.26	142,640	142,640	0.83	0.01	0.06
0.40	1,314,000	1,314,000	2.54	0.40	0.06
0.40	125,000	125,000	3.75	0.06	0.01
0.48	1,010,000	1,010,000	0.24	0.03	0.06
0.50	700,000	700,000	0.70	0.06	0.04
0.84	60,000	60,000	0.20	—	0.01
0.84	48,000	48,000	0.24	—	0.00
0.85	200,000	200,000	0.64	0.02	0.02
0.85	600,000	600,000	1.96	0.14	0.06
0.85	25,000	25,000	0.50	—	0.00
0.85	145,000	145,000	0.45	0.01	0.01
0.85	50,000	50,000	0.50	—	0.01
1.00	20,000	20,000	0.06	—	0.00
1.00	20,500	20,500	0.12	—	0.00
1.00	10,000	10,000	0.91	—	0.00
1.25	5,000	5,000	0.62	—	0.00
1.25	10,000	10,000	0.98	—	0.00
1.48	440,000	440,000	2.18	0.11	0.08
1.75	105,000	105,000	0.73	0.01	0.02
1.75	250,000	250,000	0.73	0.02	0.05
1.75	60,000	60,000	0.97	0.01	0.01
1.75	250,000	250,000	1.00	0.03	0.05
1.75	100,000	100,000	1.60	0.02	0.02
0.40	50,000	33,333	3.94	0.02	0.00
	8,388,640	8,371,973			1.24

12. Selling, General and Administrative Expenses

For the three months ended March 31,	2023	2022
Salaries and benefits	\$ 3,228,258	\$ 3,628,260
Office & Administrative	1,533,592	723,162
Professional fees	1,310,253	972,716
Consulting fees	302,288	263,118
Selling, marketing and promotion	1,515,464	1,034,194
Research and development	42,260	48,248
Total	\$ 7,932,115	\$ 6,669,698

13. Finance Costs

For the three months ended March 31,	2023	2022
Accretion cost	\$ 29,946	\$ 804,109
Interest expense on credit facilities	748,749	570,346
Accrued interest on term loan (Liuna) - Note (a) below	4,740,749	2,081,951
Interest expense on unsecured convertible debentures	20,193	271,257
Interest expense on lease liabilities	14,551	51,641
Foreign exchange loss	9,488	17,741
Others charges	3,137	18,660
Total	\$ 5,566,813	\$ 3,815,705

(a) Interest on LPF loan is accrued, however not due until maturity based on the terms of the loan agreement (Note 8)

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022

14. Loss per Share

For the three months ended March 31,	2023	2022
Basic and diluted loss per share:		
Loss attributable to holders of shares	\$ (9,515,560)	\$ (8,763,599)
Weighted average number of shares outstanding	306,769,711	303,976,702
	\$ (0.03)	\$ (0.03)

For periods where the Company records a loss, the Company calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares were used, the result would be a reduction in the loss, which would be anti-dilutive. Consequently, for the three months ended March 31, 2023, the Company calculated loss per share using 306,769,711 (March 31, 2022: 303,976,702) common shares. The effect of options, warrants and conversion feature was anti-dilutive.

15. Change in Non-cash Operating Working Capital

For the three months ended March 31,	2023	2022
Trade and other receivables	\$ (1,180,540)	\$ 395,880
Prepaid expenses and deposits	(191,890)	(1,177,383)
Inventory	(2,261,745)	(323,320)
Biological assets	1,688,553	(983,274)
Commodity tax receivable	164,945	402,132
Accounts payable and accrued liabilities	(2,055,435)	(3,872,136)
Net Changes in Non-Cash Working Capital	\$ (3,836,112)	\$ (5,558,101)

16. Prepaid expenses and deposits

	March 31, 2023	December 31, 2022
Deposits	\$ 1,793,642	\$ 1,793,642
License fee	—	288,981
Supplier advances	199,731	387,468
Prepaid Insurance	969,205	300,597
Total	\$ 2,962,578	\$ 2,770,688
Current	1,244,926	1,053,036
Long term	1,717,652	1,717,652

17. Accounts payable and accrued liabilities

	March 31, 2023	December 31, 2022
Trade payables	\$ 1,771,772	\$ 2,667,241
Accrued employee benefits	1,267,034	862,192
Accrued excise taxes	2,322,711	1,940,049
Restructuring accrual	86,410	521,808
Accrued and other payables	5,700,169	7,179,423
Total	\$ 11,148,096	\$ 13,170,713

Restructuring accrual - On November 15, 2022, the Company announced the phasing out of its Strathroy and Guelph Facilities to align with their strategic priorities and address ongoing business transformation plans. The restructuring also included a reduction to the number of employees across the organization in an effort to reduce spending.

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

During the last quarter of 2022, the Company recorded restructuring expenses of \$254,308 relating to workforce retention and reductions associated with the planned closure of these facilities and \$267,500 related to professional services required to execute on the restructuring in the statement of loss and comprehensive loss. Out of which, \$86,410 have not been paid as of March 31, 2023 relating to workforce retention and reductions.

The provisions for restructuring represent the present value of the best estimate of the future outflow of economic benefits that will be required to settle the expected liabilities and may vary as a result of new events affecting the amounts that will need to be paid.

18. Revenue and trade and other receivables**a) Revenue**

For the three months ended March 31,	2023	2022
Medical	\$ 8,196,666	\$ 7,111,839
Adult Use	6,910,779	8,440,668
Bulk	—	218,062
Total Revenue	\$ 15,107,445	\$ 15,770,569

For the three months ended March 31, 2023, 38% (March 31, 2022: 45%) of total revenue is from 2 customers (March 31, 2022: 3 customers) each representing more than 10% of the Company's revenue.

As at March 31, 2023, the Company recognized a contract liability of \$259,566, included in accounts payable and accrued liabilities, pertaining to potential customer returns (December 31, 2022 - \$565,781). During the three months ended March 31, 2023, actual returns amounted to \$259,480 (March 31, 2022 - \$297,389) recorded net of revenue in the consolidated financial statements of loss and comprehensive loss.

b) Trade and other receivables

	March 31, 2023	December 31, 2022
Gross trade receivables	\$ 4,264,488	\$ 4,239,896
Less: allowance for expected credit losses	447,238	447,238
Net trade receivables	3,817,250	3,792,658
Other receivables	1,388,784	232,836
Total	\$ 5,206,034	\$ 4,025,494

The ageing of outstanding receivables for the three months ended March 31, 2023 and for the year ended December 31, 2022 are detailed as below:

Trade receivables ageing		
	March 31, 2023	December 31, 2022
0-30 days	\$ 2,329,801	\$ 3,159,328
30-60 days	593,962	156,537
90 days and above	1,340,725	924,031
Total	\$ 4,264,488	\$ 4,239,896

Trade receivables are from sale of cannabis sold directly to medical patients ("Medical"), wholesale of finished products to provinces and provincially regulated distributors ("Adult Use"), and wholesale of bulk to other Licensed Producers and Provincially regulated distributors ("Bulk").

Entourage Health Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

Trade receivables for Medical are mostly paid upfront or settled by Insurance providers through direct billing, Adult Use receivables are generally received within 90 days of sale from the provincial boards or licensed distributors and Bulk receivables are outstanding as at period end but do not exceed aging above 30 days. During the year ended December 31, 2022, the Company recorded allowance for expected credit losses of \$447,238 towards trade receivables and \$89,579 towards other receivables. There were no additional allowances created for the three months ended March 31, 2023.

19. Related Party Transactions

The Company's key management includes the Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Commercial Officer, Chief Legal Officer and Secretary, Chief Operating Officer and all directors. Transactions with related parties include salaries, share based compensation and service fees.

The amounts due to related parties are recorded at the exchange amounts as agreed upon by the related parties under contracts signed with them, non-interest bearing, unsecured and have no fixed repayment terms, other than the credit facility within LiUNA Pension Fund of Central and Eastern Canada ("LPF"). On September 23, 2020, the Company had entered into a credit facility with the LPF – a major shareholder of the Company. For all transactions with LPF, refer to Note 8.

The balances outstanding for services payable to key management personnel are as follows:

For the period ended	March 31, 2023	December 31, 2022
Accounts payable and accrued liabilities	\$ —	\$ —

For the three months ended March 31, 2023 and 2022, amounts expensed pertaining to the key management personnel are as follows:

For the three months ended March 31,	March 31, 2023	March 31, 2022
Salaries and bonus	457,248	\$ 320,008
Share based Compensation	678	69,571
Directors fee	32,000	265,000
Other compensation	495,831	—
Total	985,757	654,579

20. Commitments and Contingencies

Commitments

On November 15, 2022, Entourage entered into a long-term supply agreement with Hexo Corp. ("Hexo"). Under the supply agreement, Hexo will provide the Company with bulk dried cannabis and soft gel capsules. The supply agreement requires annual purchase commitments with year over year price increase ceilings. The term of the contract is three years and the Company can renew for an additional three years on the same terms and conditions, subject to revised minimum annual purchase commitments. The minimum annual purchase commitment for the calendar year 2023, under the agreement at an average rate is approximately \$8,480,000.

In the ordinary course of business, the Company enters into various supply agreements with third party vendors. These contracts contain general provisions related to contract terminations, none of which indicates any financial implication in terms of payout to the vendors.

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Contingencies

On July 2, 2021, Pioneer, an investee of the Company, commenced legal proceedings against a former licensee of Pioneer (the "Retailer") to seek, among other things, damages in the amount of \$1,235,292 in relation to a promissory note for development loan. On November 22, 2021, Pioneer received a counterclaim from the Retailer, amounting to \$1,000,000 for, among other things, breach of contract, misrepresentation, and breach of franchise disclosure obligations. As at March 31, 2023, there have been no further updates to the proceedings. The Company believes that the outcome of this claim and counterclaim will not have any material effect on its condensed interim consolidated financial statements.

On January 26, 2023, the Company was served with a statement of claim, as co-defendant with the Retailer, by the Retailer's landlord, Desjardins Financial Security Life Assurance Company. The claim is for damages resulting from the Retailer's abandonment of the leased premises and failure to pay rent and an indemnity agreement signed among the landlord, the Company and the Retailer upon the Retailer entering into a lease for the premises, and is in an amount of \$1,500,000. The Company filed its statement of defence and a crossclaim against the Retailer on April 21, 2023. The damages claimed in the statement of claim are subject to the landlord's recourse to the retailer, and accordingly the Company believes that the outcome of this claim and counterclaim will not have any material effect on its condensed interim consolidated financial statements.

21. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

There are no financial instruments measured at fair value as at March 31, 2023 and December 31, 2022.

The carrying values of cash, trade and other receivables, accounts payable and accrued liabilities, and short term loan and borrowings approximate their fair values because of the short-term nature of these financial instruments. Long term loan and borrowings and unsecured convertible debentures are recorded at amortized cost.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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The Company is exposed to credit risk on its trade and other receivables which has a balance of \$5,206,034 (December 31, 2022: \$4,025,494).

As at March 31, 2023, 83% (December 31, 2022: 83%) of the Company's trade receivables balance, is owing from 3 customers (December 31, 2022: 3 customer), each representing more than 10% of trade and other receivables.

Cash is generally invested in cash accounts held in Canadian chartered banks. Restricted cash is generally held as collateral to repay any outstanding balances related to the Company's loan and borrowings and credit cards. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 0 to 90 days. Credit risk is low as receivables are from government bodies and insurance agencies which generally have a low default risk. Credit risk for non-government wholesale customers is assessed on a case-by-case basis and represents 17% of trade receivables and comprises of 7.7% of the revenue of the Company as at March 31, 2023. Management expects credit risk to be minimal.

(c) Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer or lender, or that an obligation in a foreign currency was made by the Company to a supplier or partner, is different at the time of settlement than it was at the time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company did not have any hedges at the time that the financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company manages its exposure to liquidity risk by ensuring that it documents when authorized payments become due and actively manages its working capital to repay trade creditors as they become due.

The Company has total current liabilities of \$159,324,882 (December 31, 2022: \$141,878,963) with cash on hand of \$15,551,057 (December 31, 2022: \$9,075,257). The Company will manage the risk exposure through increased future sales, minimizing expenses by the phase out of the Strathroy and Guelph Facilities, increasing efficiency and productivity, accessing the Revolving Credit Facility, and if necessary, raise additional capital through debt and/or equity.

The Company is in the process of obtaining a waiver from LPF related to its credit facility for its breach of the minimum EBITDA financial covenant as at March 31, 2023. The year 1 obligation includes the potential payout related to the BMO Credit Facilities (Note 24).

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The contractual maturities of all liabilities and lease obligations as at March 31, 2023 is as follows:

	2023- 2024 (Year 1)	2024 - 2025 (Year 2)	2025 - 2026 (Year 3)	2026 - 2027 (Year 4)	2027 and later
Lease liabilities	\$ 254,756	\$ 125,026	\$ 127,607	\$ 130,189	\$ 382,719
Loans and borrowings	25,448,761	165,086,090	310,500	5,207,000	—
Unsecured convertible debentures	91,175	91,175	1,081,431	—	—
Other commitments	9,833	4,143	—	—	—
Accounts payables and accrued liabilities	11,148,096	—	—	—	—
Total	\$ 36,952,621	\$ 165,306,434	\$ 1,519,538	\$ 5,337,189	\$ 382,719

The Company has obtained a waiver from LPF related to its credit facility subsequent to year end for its breach of the minimum EBITDA financial covenant as at December 31, 2022. The year 1 obligation includes the potential payout related to the BMO Credit Facilities (Note 24).

The contractual maturities of all liabilities and lease obligations as at December 31, 2022 is as follows:

	2023 (Year 1)	2024 (Year 2)	2025 (Year 3)	2026 (Year 4)	2027 and later
Lease liabilities	\$ 332,477	\$ 134,019	\$ 126,962	\$ 129,544	\$ 415,578
Loans and borrowings	25,499,354	310,500	145,035,514	5,284,625	—
Unsecured convertible debentures	91,175	91,175	1,104,225	—	—
Other commitments	9,833	6,051	550	—	—
Accounts payables and accrued liabilities	13,170,713	—	—	—	—
Total	\$ 39,103,552	\$ 541,745	\$ 146,267,251	\$ 5,414,169	\$ 415,578

(e) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate, or investments. Floating rate debt exposes the Company to fluctuations in cash flows and net earnings due to changes in market interest rates. In the opinion of management, the cash flow risk exposure to the Company is low.

22. Capital Management

The Company includes shareholders' (deficiency) equity, comprised of common shares, warrants reserve, conversion feature, contributed surplus and accumulated deficit, in the definition of capital. The Company's objectives when managing capital are as follows:

- (i) To safeguard the Company's assets and ensure the Company's ability to continue as a going concern; and
- (ii) To raise sufficient capital to achieve the ongoing business objectives including funding of future growth opportunities and meeting its general administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

23. Other Income

During the three months ended March 31, 2023, other income recorded of \$29,016, (March 31, 2022: \$ Nil) represents sale of certain minor tools.

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24. Subsequent Events

The Company's management has evaluated subsequent events up to May 29, 2023, the date the condensed interim consolidated financial statements were issued and determined the following events:

- i) On April 21, 2023, the Company entered into an agreement to sell the Strathroy facility to a third party for \$9,400,000, less customary transaction costs, land transfer tax, and brokerage fees. The sale closed on May 18, 2023 and the net proceeds were paid to BMO in partial repayment of its outstanding secured credit facility. The Company is in the process of seeking additional financing from its other secured lender, LPF, to pay off the remaining balance of the BMO credit facility.
- ii) The Company entered into agreements to issue shares in lieu of certain amounts owing to certain senior employees, of 1,423,057 common shares in satisfaction of approximately \$50,000 (net of employer deductions and withholdings) owing to such senior employees, subject to the approval by the TSXV. The shares were issued on May 12, 2023.