

MEDIPHARM LABS CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2025 and 2024

NOTICE OF NO AUDITOR REVIEW

The accompanying condensed interim consolidated financial statements for MEDIPHARM LABS CORP. (the “Company”) have been prepared by management. Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 Continuous Disclosure Obligations, the Company advises that the accompanying condensed interim consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by an auditor. The Company’s auditor has not performed a review of the accompanying condensed interim consolidated financial statements of the Company in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

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MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at June 30, 2025 and December 31, 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	June 30, 2025	December 31, 2024
ASSETS			
Current assets:			
Cash and cash equivalents		10,362	11,690
Trade and other receivables	4	8,015	7,512
Inventories	5	9,129	8,563
Biological assets	6	221	147
Other assets	7	1,315	822
		29,042	28,734
Assets held for sale	8	474	4,348
Total current assets		29,516	33,082
Non-current assets:			
Property, plant and equipment	9	18,489	19,159
Intangibles	9.2	764	854
Other assets	7	539	635
Total non-current assets		19,792	20,648
Total assets		49,308	53,730

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at June 30, 2025 and December 31, 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	June 30, 2025	December 31, 2024
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	12	8,181	7,858
Current employee benefit obligations		768	2,300
Loans and borrowings	10	532	337
Total current liabilities		9,481	10,495
Non-current liabilities:			
Loans and borrowings	10	10	51
Total non-current liabilities		10	51
Total liabilities		9,491	10,546
Equity:			
Common shares	13	201,637	201,210
Reserves		24,758	29,556
Accumulated other comprehensive loss		(90)	(156)
Accumulated deficit		(186,488)	(187,426)
Total equity		39,817	43,184
Total liabilities and equity		49,308	53,730

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Approved on behalf of the Board of Directors of MediPharm Labs Corp.:

/s/ "David Pidduck"
David Pidduck
Director

/s/ "Chris Taves"
Chris Taves
Director

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS

For the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

		Three months ended June 30		Six months ended June 30	
	Notes	2025	2024	2025	2024
Revenue	14	12,612	11,138	24,141	21,809
Excise taxes		(804)	(788)	(1,527)	(1,688)
Net revenue		11,808	10,350	22,614	20,121
Cost of sales		(8,571)	(6,762)	(15,241)	(13,834)
Gross profit before change in fair value of biological assets		3,237	3,588	7,373	6,287
Realized fair value adjustment on sale of inventories	6	(376)	(431)	(759)	(677)
Unrealized gain on changes in fair value of biological assets	6	469	261	898	459
Gross profit		3,330	3,418	7,512	6,069
General administrative expenses		(5,291)	(3,899)	(8,334)	(8,171)
Marketing and selling expenses		(1,369)	(1,456)	(2,618)	(2,785)
Research and development expenses		(46)	(27)	(124)	(74)
Share-based compensation expense	13,15	(502)	(576)	(939)	(1,471)
Other operating income/(expenses), net		78	(33)	262	134
Operating loss		(3,800)	(2,573)	(4,241)	(6,298)
Finance income		42	200	112	424
Finance expense		(12)	(210)	(28)	(320)
Loss before taxation		(3,770)	(2,583)	(4,157)	(6,194)
Net loss for the period		(3,770)	(2,583)	(4,157)	(6,194)
Basic and diluted loss per share		(0.01)	(0.01)	(0.01)	(0.02)
Weighted average number of outstanding shares		415,350,206	404,780,792	415,575,776	404,429,601

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	Three months ended June 30		Six months ended June 30	
		2025	2024	2025	2024
Net loss for the period		(3,770)	(2,583)	(4,157)	(6,194)
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		61	8	66	(25)
Total comprehensive loss for the period		(3,709)	(2,575)	(4,091)	(6,219)

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	<u>Common Shares</u>		<u>Reserves</u>		Accumulated other comprehensive income/(loss)	Accumulated deficit	Total
	Number	Share capital	Share-based payments	Warrant reserve			
Balance at January 1, 2024	401,397,439	200,244	24,437	5,095	(39)	(176,732)	53,005
Shares issued on settlement of RSUs (Note 13)	9,438,645	690	(1,160)	-	-	-	(470)
Shares issued on exercise of options (Note 13)	158,686	12	(1)	-	-	-	11
Share based compensation (Note 13)	-	-	1,283	-	-	-	1,283
Foreign exchange translation	-	-	-	-	(25)	-	(25)
Net loss for the period	-	-	-	-	-	(6,194)	(6,194)
Balance at June 30, 2024	410,994,770	200,946	24,559	5,095	(64)	(182,926)	47,610
Balance at January 1, 2025	415,048,645	201,210	24,461	5,095	(156)	(187,426)	43,184
Shares issued on settlement of RSUs (Note 13)	5,691,552	426	(640)	-	-	-	(214)
Shares issued on exercise of options (Note 13)	14,815	1	(2)	-	-	-	(1)
Share based compensation (Note 13)	-	-	939	-	-	-	939
Transfer of warrant reserve upon expiration of warrants*	-	-	-	(5,095)	-	5,095	-
Foreign exchange translation	-	-	-	-	66	-	66
Net loss for the period	-	-	-	-	-	(4,157)	(4,157)
Balance at June 30, 2025	420,755,012	201,637	24,758	-	(90)	(186,488)	39,817

* Warrant reserve has been reclassified to accumulated deficit as the warrants expired unexercised.

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

	Notes	Six months ended June 30	
		2025	2024
Cash flows from operating activities:			
Net loss for the period		(4,157)	(6,194)
Adjustments for:			
Depreciation and amortization	9,16	844	1,521
Write down of inventory	5	112	323
Change in fair value of biological assets	15	(139)	218
Impairment of assets held for sale	8	81	77
Gain on disposal of property, plant and equipment	9	-	(296)
Gain on disposal of assets held for sale	8	(271)	-
Change in expected credit loss	16.1,15	8	(57)
Finance income, net		(84)	(104)
Unrealized foreign exchange difference		11	(44)
Share based compensation		939	1,471
Cash used in operating activities before changes in working capital		(2,656)	(3,085)
Change in trade and other receivables	4	(511)	(297)
Change in inventories	5	(539)	(43)
Changes in biological assets	6	(74)	(79)
Change in other assets	7	(397)	(581)
Change in trade and other payables	12	123	1,283
Change in current employee benefit obligation		(1,727)	(330)
Changes in working capital		(3,125)	(47)
Net cash used in operating activities		(5,781)	(3,132)
Cash flows from investing activities:			
Capital expenditures	9	(84)	(77)
Proceeds from sale of property, plant and equipment	9	-	347
Proceeds from sale of assets held for sale	8	4,245	220
Net cash provided by investing activities		4,161	490
Cash flows from financing activities:			
Loan received	10	500	749
Repayment of loans and borrowings	10	(308)	(327)
Interest received		112	424
Interest paid		(25)	(132)
Payment of lease liabilities		(41)	(95)
Net cash provided by financing activities		238	619
Effects of exchange rate changes		54	33
Decrease in cash and cash equivalents		(1,328)	(1,990)
Cash and cash equivalents at the beginning of the period		11,690	17,981
Cash and cash equivalents at the end of the period		10,362	15,991

The above condensed interim consolidated financial statements should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 1 - NATURE OF OPERATIONS

MediPharm Labs Corp. (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on January 23, 2017 as “POCML 4 Inc.” pursuant to the policies of the TSX Venture Exchange. Subsequent to a reverse takeover transaction, the common shares in the capital of the Company (the “Common Shares”) began trading on the TSX Venture Exchange on October 4, 2018 under the trading symbol “LABS”. On July 29, 2019, the Common Shares were voluntarily delisted from the TSX Venture Exchange and began trading on the Toronto Stock Exchange under the symbol “LABS”.

The Company and its subsidiaries produce cannabis, purified and pharmaceutical-like cannabis extracts, related derivative products and cannabis related medical information and services. Its operating subsidiaries are the holders of cultivation, standard processing, and the sale of cannabis for medical purposes licenses under the *Cannabis Act* (Canada) (the “Canadian Licences”). The Canadian Licences allow for the cultivation of cannabis, sale and distribution of cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals, dried and fresh cannabis, and derivatives to authorized classes of purchasers. The Company’s subsidiary, Harvest Medicine Inc. (“Harvest Medicine” or “HMED”) provides clinic services to Canadian patients requiring medical cannabis education and prescriptions.

The Company’s international subsidiaries, Beacon Medical Germany GmbH and Beacon Medical Australia Pty Ltd, market and distribute branded medical cannabis products within the regulations of their respective regions.

The head office and the registered and records office of the Company is located at 151 John St. Barrie, Ontario, L4N 2L1.

These condensed interim consolidated financial statements of the Company as at and for the three and six months ended June 30, 2025 (the “Interim Financial Statements”), include the financial statements of the Company and its wholly owned subsidiaries. Throughout these Interim Financial Statements, unless the context indicates or requires otherwise, the terms the “Company”, “MediPharm”, “we”, “us” and “our” refer to MediPharm Labs Corp. together with its subsidiaries. The Company’s subsidiaries are stated below:

Subsidiaries	Registered Country
MediPharm Labs Inc. (“MPL”) (1)	Canada
ABcann Medicinals Inc.	Canada
Canna Farms Limited (1)	Canada
Harvest Medicine Inc.	Canada
Beacon Medical Germany GmbH	Germany
Beacon Medical Australia Pty Ltd	Australia

(1) These wholly owned subsidiaries were amalgamated during the period.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

These Interim Financial Statements have been prepared in accordance with accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board (“IASB”).

On August 13, 2025, the Board of Directors of the Company approved these Interim Financial Statements.

(ii) Historical cost convention

These Interim Financial Statements have been prepared on a historical cost basis, except certain financial assets, assets held for sale, and biological assets which are expressed at their fair values as described in this note. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

(iii) Foreign currency translation

Functional and presentation currency

The Company and its Canadian subsidiaries’ functional currency, as determined by management, is the Canadian dollar. The functional currencies of the Company’s German and Australian subsidiaries are the Euro and Australian dollar, respectively. These Interim Financial Statements are presented in Canadian dollars, which is the Company’s functional currency, as this is the currency of the primary economic environment in which the Company operates (“the functional currency”).

Foreign currency transactions and balances

Foreign currency transactions are translated into the respective entity’s functional currency using the exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are re-measured to the functional currency of the Company at the exchange rate at the reporting date and the date they are settled. Non-monetary items that are based on historical cost in a foreign currency are translated into the functional currency of the Company entity using the exchange rate at the date of the transaction. Foreign currency gains and losses due to translating and settling foreign currency transactions are reported in the condensed interim consolidated statements of loss on a net basis.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position
- income and expenses are translated at average exchange rates and
- all resulting exchange differences are recognized in other comprehensive income/(loss).

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS (Continued)

(iv) Basis of consolidation

Subsidiaries

The percentage of voting power held by the parent company, MediPharm Labs Corp. and its subsidiaries and the total percentage of ownership interests at June 30 and December 31 are presented below:

Subsidiaries	Proportion of voting power held by the Company		
	(%)	(%)	(%)
	June 30, 2025	December 31, 2024	June 30, 2024
MediPharm Labs Inc. (1) (3)	100%	100%	100%
MPL Property Holdings Inc. (1)	N/A	N/A	100%
MPL Manufacturing Inc. (2)	N/A	N/A	100%
2612785 Ontario Inc. (2)	N/A	N/A	100%
MPL International Holdings Inc. (2)	N/A	N/A	100%
VIVO Cannabis Inc. (1)	N/A	N/A	100%
ABcann Medicinals Inc.	100%	100%	100%
Canna Farms Limited (3)	N/A	100%	100%
Harvest Medicine Inc.	100%	100%	100%
Green Earth Realty Inc. (1)	N/A	N/A	100%
Patients' Choice Botanicals Inc. (2)	N/A	N/A	100%
Universal Botanicals Inc. (2)	N/A	N/A	100%
Beacon Medical Germany GmbH	100%	100%	100%
Beacon Medical Australia Pty Ltd	100%	100%	100%
2649924 Ontario Inc. (2)	N/A	N/A	100%

(1) These wholly owned subsidiaries were amalgamated in 2024.

(2) These wholly owned subsidiaries were dissolved in 2024.

(3) These wholly owned subsidiaries were amalgamated during the period.

Subsidiaries are companies in which MediPharm Labs Corp. has the ability to control the financial and operating policies for the benefit of MediPharm Labs Corp. through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly by itself.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS (Continued)

Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the condensed interim consolidated statements of loss and condensed interim consolidated statements of comprehensive loss from the date the Company gains control of the subsidiary until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full upon consolidation.

2.2 Accounting standards issued but not yet effective

A number of new accounting standards and amendments to existing standards are effective for annual reporting periods beginning after 1 January 2025, with early application permitted. However, the Company has not early adopted any of the forthcoming new or amended accounting standards in preparing these Interim Financial Statements.

2.3 Use of estimates and judgements

The preparation of these Interim Financial Statements requires the use of accounting estimates and exercise of judgement in applying the Company's accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these Interim Financial Statements are described below:

(i) Expected loss rate

The expected credit losses for trade receivables and contract assets are based on assumptions about risk of default. The Company uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculation based on the Company's past history and existing market conditions at the end of each reporting period.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 2 - BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

(Continued)

(ii) Fair value of share-based warrants and stock options

The Company issues share-based warrants and stock options. In estimating the fair value of the share-based warrants and stock options, the Company uses the Black Scholes option pricing model with inputs such as expected life, expected forfeiture rate and volatility of the stock option, based on their best estimate. The assumptions used for estimating fair value for share-based payment transactions with respect to stock options are disclosed in Note 13.2 and 13.3.

(iii) Impairment assessment and estimated useful lives of property, plant and equipment, assets held for sale and intangible assets

The useful lives of the Company's property, plant and equipment and intangible assets are estimated by management at the time the asset is acquired and regularly reviewed for appropriateness. The Company estimates the useful lives of its assets in terms of the assets' expected utility to the Company. This estimate is based on the experience of the Company with similar assets. In determining the useful life of an asset, the Company also assesses technical and/or commercial obsolescence arising from changes to the intended use of the asset. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The assessment of any impairment of the Company's property, plant and equipment, assets held for sale and intangible assets is dependent upon estimate of the recoverable amounts of these assets. The determination of whether triggering events require an assessment of the recoverable amount of the asset or Cash Generating Unit ("CGU") requires judgement. If triggering events are identified, the recoverable amount of the CGU is determined based on the higher of the value in use and fair value less costs of disposal. The process to calculate the fair value less costs of disposal require use of valuation methods such as market and cost approaches which uses key inputs and assumptions such as market transactions, inflation indices and discount factors. The process to calculate the value in use requires the use of a discounted cash flow method which uses assumptions or key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applies judgement when determining which methods are most appropriate to estimate the value in use and fair value less costs of disposal.

(iv) Valuation of biological assets and inventories

The Company is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis up to the point of harvest, pre-harvest and post-harvest costs, expected sales price, and expected yields for cannabis plants to be harvested. The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventories and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventories.

The Company's inventories are carried at the lower of cost or net realizable value. The determination of net realizable value involves significant management judgement and estimates, including the estimation of future selling prices.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 3 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	June 30, 2025	December 31, 2024
Financial assets at amortized cost		
Cash and cash equivalents	10,362	11,690
Trade and other receivables (Note 4)	8,015	7,512
Financial liabilities at amortized cost		
Trade and other payables (Note 12)	8,181	7,858
Current employee benefit obligations	768	2,300
Loan and borrowings (Note 10)	542	388

The Company does not hold any financial instruments measured at fair value.

NOTE 4 – TRADE AND OTHER RECEIVABLES

	June 30, 2025	December 31, 2024
Trade receivables, net	7,042	6,878
Other receivables (1)	283	32
HST/GST/VAT receivable	690	602
	8,015	7,512

(1) Other receivables primarily comprise unbilled receivables and accrued interest.

Credit risk and aging analysis related to trade receivables are included in Note 16.1.

NOTE 5 – INVENTORIES

	June 30, 2025	December 31, 2024
Raw materials	2,454	1,357
Finished goods	5,086	5,922
Consumables and packages	1,589	1,284
	9,129	8,563

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 5 – INVENTORIES (Continued)

Raw material inventory is comprised of bulk dried cannabis flower (for extraction purposes, making pre-rolls or packaged flower) and trim produced internally and acquired from third party licensed cannabis cultivators. Finished goods inventory is comprised of all packaged products ready for sale and semi-finished bulk products (formulated concentrates, formulated distillates, oil, vapes, and edibles). Consumables include medium-chain triglyceride oil used in the production of formulated oil, terpenes used in oil formulation and packaging and product hardware materials.

For the three and six months ended June 30, 2025, the Company recognized write downs of the carrying value of its raw materials and finished goods of \$84 and \$112 (three and six months ended June 30, 2024: \$89 and \$323) in cost of sales.

NOTE 6 – BIOLOGICAL ASSETS

	June 30, 2025	December 31, 2024
As at January 1	147	12
Unrealized gain on changes in fair value of biological assets	759	1,071
Transfer to inventories upon harvest	(685)	(936)
As at end of period	221	147

As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates, by their nature, are subject to changes and inaccuracies that could result in future gains or losses in the value of biological assets. Changes in these estimates could result from volatility of sales prices, changes in yields, and variability of the costs incurred to complete a harvest. Prior to harvest, all production costs are expensed.

As at June 30, 2025, the Company's biological assets were, on average, 55% complete (December 31, 2024 – 52% complete) and it was expected that the biological assets would yield approximately 123kg of dry flower, and 35kg of trim (December 31, 2024 – 81kg and 20kg, respectively). As at June 30, 2025, the Company had 2,102 plants (December 31, 2024 – 1,851 plants) that were biological assets.

The Company values its biological assets at the end of each reporting period at fair value less costs to sell.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 6 – BIOLOGICAL ASSETS (Continued)

This is determined using a valuation model that calculates biological asset value by estimating the expected yield of each plant at harvest, prorated based on the stage at which the plant is in its lifecycle, multiplied by the survival rate of plants at this stage in their life cycles; the estimated per-gram fair value for the expected yield (different fair values are applied for trim and dry flower yield), and the processing and selling costs (which are deducted). The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy.

The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- Average number of weeks in the growing cycle is sixteen weeks from propagation to harvest. The Company considers plants less than 3.5 weeks of age to be in the cloning stage; between 3.5 and 6 weeks to be in the vegetative state; and more than 6 weeks to be in the flowering stage. The estimates for the growing cycle are unchanged from December 31, 2024.
- Expected average harvest yield is 137g per plant (December 31, 2024 – 105g), approximately 78% of which is dry flower and 22% is trim (December 31, 2024 – 80% and 20%).
- Expected average fair value of \$1.80 per gram for flower products and \$0.07 per gram for trim at the time of harvest as at June 30, 2025 (December 31, 2024 - \$1.80 and \$0.07 respectively).
- Expected average cost to complete harvest and cost of post-harvest activities to prepare bulk product is \$0.20 per gram as at June 30, 2025 (December 31, 2024 - \$0.20 per gram).

The expected average fair values were determined by using recent bulk flower purchases and the Company's historical purchases and sales, and the Company's expected purchase price going forward. The estimates of growing cycle, harvest yield and costs per gram are based on the Company's historical results. These assumptions are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. No sensitivity is disclosed due to immaterial amount of biological assets held at June 30, 2025 and December 31, 2024.

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025 and 2024

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 7 – OTHER ASSETS

	June 30, 2025	December 31, 2024
Current assets		
Deposits and down payments (1)	281	185
Prepaid insurance	735	424
Other (2)	299	213
	1,315	822
	June 30, 2025	December 31, 2024
Non-current assets		
Deposits and down payments (1)	539	635
	539	635

(1) Deposits and down payments primarily include the down payments to suppliers for the purchase of inventory. The non-current deposits relate to inventory credit received from one of the Company's customers in connection with the settlement of a long outstanding receivable.

(2) Other includes prepaid expense for rent, software maintenance services, professional services, and property taxes.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 8 – ASSETS HELD FOR SALE

Hope Facility

During the six months ended June 30, 2025, the Company completed the sale of its facility located in Hope, British Columbia, including certain machinery and office equipment (the “Hope Facility Sale”). These assets had previously been classified as held for sale in accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*. The sale resulted in net proceeds of \$4,245 and a gain on disposal of \$271 was recognized in the interim consolidated statement of profit or loss, measured as the difference between the carrying amount of the assets and the net proceeds received. The Company also adjusted for final expenses of \$19 and other expected costs to cover certain future repairs in the facility, up to a maximum of \$200. The expected cost of \$200 has been included in other payables in the statement of financial position.

Lands

As at June 30, 2025, management was committed to a plan to sell a piece of land located at Yale Road in Hope, British Columbia. Accordingly, the Company has presented the land as held for sale. Efforts to sell the land have commenced and a sale is expected within the next twelve months. The fair value less costs to sell the land as of June 30, 2025 was estimated to be \$474. During the six-month period ended June 30, 2025, the Company recorded an impairment loss of \$81 in respect of this property, in other operating expenses in the Interim Financial Statements.

The movement in the balance in respect of assets held for sale during the six months ended 30 June 2025 was as follows:

	Hope Facility	Lands	Total
January 1, 2025	3,793	555	4,348
Impairments	-	(81)	(81)
Dispositions	(3,793)	-	(3,793)
June 30, 2025	-	474	474

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	January 1, 2025	Additions	Transfers	June 30, 2025
Cost				
Land	1,863	-	-	1,863
Building and building improvements	24,973	-	-	24,973
Leasehold improvements	209	-	-	209
Computers	1,379	15	-	1,394
Office equipment	213	-	-	213
Machinery and plant equipment	12,735	27	87	12,849
Motor vehicles	37	-	-	37
Security equipment	738	-	-	738
Construction in progress (1)	45	42	(87)	-
Right-of-use assets (Note 9.1)	290	-	-	290
	42,482	84	-	42,566
Less: Accumulated depreciation and impairment losses				
Building and building improvements	9,990	387	-	10,377
Leasehold improvements	165	4	-	169
Computers	1,371	2	-	1,373
Office equipment	209	2	-	211
Machinery and plant equipment	10,586	339	-	10,925
Motor vehicles	37	-	-	37
Security equipment	735	3	-	738
Construction in progress	-	-	-	-
Right-of-use assets (Note 9.1)	230	17	-	247
	23,323	754	-	24,077
Net book value	19,159			18,489

- (1) Construction in progress consists of the machinery in the installation process and renovation and expansion of building. Certain construction in progress assets were transferred to other classes within property, plant and equipment upon completion of the construction and installation.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

9.1 Right-of-use assets

The Company leases assets. The details of the asset types where the Company is lessee are listed below. Total amount of leases with a term of 12 months or less (“short-term leases”) expensed to the condensed interim consolidated statements of loss for the three and six months ended June 30, 2025, is \$59 and \$47 respectively (three and six months ended June 30, 2024: \$14 and \$26, respectively).

	January 1, 2025	Additions	June 30, 2025
Cost			
Right-of-use assets			
-Building	290	-	290
	290	-	290
Less: Accumulated depreciation and impairment			
Right-of-use assets			
-Building	230	17	247
	230	17	247
Net book value	60		43

9.2 Intangible assets

	January 1, 2025	Additions	June 30, 2025
Cost			
Brands	950	-	950
Licenses	225	-	225
GMP certification	180	-	180
	1,355	-	1,355
Less: Accumulated amortization and impairment			
Brand	382	55	437
Licenses	79	23	102
GMP certification	40	12	52
	501	90	591
Net book value	854		764

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 10 – LOANS AND BORROWINGS

	June 30, 2025	December 31, 2024
Current liabilities		
Other loans and borrowings (1)	450	258
Lease liability (2)	82	79
	532	337
	June 30, 2025	December 31, 2024
Non-current liabilities		
Lease liability (2)	10	51
	10	51
Total loans and borrowings	542	388

- (1) Loans and borrowings comprise a financing arrangement for the Company's insurance premiums. Under the current financing arrangement, the Company has borrowed a notional amount of \$500 and repaid \$50 during the three and six months ended June 30, 2025. The debt has a maturity date of March 30, 2026, bears an interest rate of 5.89% and is repayable in nine remaining equal monthly instalments. Under the previous financing arrangements, the Company repaid \$14 and \$258 during the three and six months ended June 30, 2025 respectively.
- (2) The Company has various lease agreements with maturities of 1 to 3 years. An average incremental borrowing rate of 5.4% is used to calculate the net present value of the lease liability. The maturity analysis of lease liability based on contractual undiscounted cash flow is included in Note 16.2.

NOTE 11 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

The Company had no contingent liabilities or assets as of the reporting date. All significant liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these condensed consolidated interim financial statements.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 12 – TRADE AND OTHER PAYABLES

	June 30, 2025	December 31, 2024
Payable to suppliers (1)	4,614	4,237
Accrued liabilities (2)	2,068	2,188
Contract liabilities (3)	20	148
Deposits from customers (4)	477	459
Other (5)	1,002	826
	8,181	7,858

- (1) Payable to suppliers are amounts due to vendors for unpaid goods and services received arising in the ordinary course of business. Trade payables are typically short term in nature with due dates less than 60 days.
- (2) Accrued liabilities mainly result from products and services received from third parties related to ordinary course of business for which invoices have not been received as of the reporting date and also includes severance liabilities of \$290 (December 31, 2024: \$500).
- (3) Contract liabilities comprise of advance consideration received from customers for contracts that include revenue recognition over time. During the three and six months ended June 30, 2025, the Company recognized revenue amounting to \$13 and \$128 respectively from contract liabilities and did not receive additional advance consideration.
- (4) Deposits from customers comprise of down payments from customers for products to be delivered.
- (5) Other includes HST/GST/QST payable and excise tax payable.

NOTE 13 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

13.1 Common shares issued

The Company is authorized to issue an unlimited number of Common Shares. Holders of the Common Shares are entitled to one vote per share at shareholder meetings of the Company.

For the six months ended June 30, 2025, 50,000 stock options (June 30, 2024: 158,686 stock options) were exercised through the issuance of 14,815 Common Shares for proceeds of \$nil (June 30, 2024: \$11), resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of \$1 (June 30, 2024: \$12). In addition, during the six months ended June 30, 2025, 8,552,781 RSUs (June 30, 2024: 15,867,421) were settled through the issuance of 5,691,552 Common Shares, resulting in an increase to Common Shares on the condensed interim consolidated statement of financial position of \$426 (June 30, 2024: \$690). The unissued shares are withheld for tax obligations, which are settled in cash by the Company.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 13 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

13.2 Stock options / Share based compensation

On June 20, 2025, the Company granted options to purchase up to 1,964,636 Common Shares with an exercise price of \$0.0801 per share for a 5-year term expiring June 20, 2030, under the Company's omnibus equity incentive plan. The options vest in two equal tranches, with 50% vesting immediately on the date of the grant and 50% vesting six months from the date of the grant. Total fair value of the options issued was \$100 and was estimated using the Black Scholes option pricing model, using the following assumptions: estimated volatility of 86.27%, expected life of 5 years, a risk-free rate of 2.92%, a forfeiture rate of 5.17%, and a share price of \$0.075.

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

		2025		2024	
	Number of	Weighted average		Weighted average	
	options	exercise price		exercise price	
		\$	Number of		\$
	options		options		
As at January 1	37,000,534	0.148	40,938,502	0.26	
Issued during the period	1,964,636	0.08	-	-	
Exercised during the period	(50,000)	0.062	(158,686)	0.07	
Forfeited/cancelled during the period	(662,667)	1.08	(5,607,005)	1.26	
As at June 30	38,252,503	0.13	35,172,811	0.10	

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 13 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The range of exercise prices for options outstanding as at June 30, 2025 is as below:

	Weighted average remaining contractual life (years)	Number of outstanding options
Exercise price range	2025	2025
Equal to \$0.06 and less than \$0.10 ⁽¹⁾	3.299	24,828,853
Equal to \$0.10 and less than \$0.15	1.938	5,183,650
Equal to \$0.15 and less than \$0.20	1.522	6,700,000
Equal to \$0.20 and less than \$0.50	0.707	310,000
Equal to \$0.50 and less than \$1.00	0.581	630,000
Equal to and more than \$1.00	0.060	600,000
		38,252,503

(1) No options had an exercise price less than \$0.06.

13.3 RSUs / Share based compensation

The Company has the option of settling the RSUs in Common Shares or cash.

	2025 Number of RSUs	2024 Number of RSUs
As at January 1	15,671,086	24,670,248
Granted during the period	1,271,971	-
Exercised during the period	(8,552,781)	(15,867,421)
Forfeited during the period	-	(470,100)
As at June 30	8,390,276	8,332,727

MEDIPHARM LABS CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 14 – REVENUE

The revenue from contracts with customers is disaggregated by geographical market, revenue streams and timing of revenue recognition as follows.

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Canada	4,897	5,837	9,752	12,380
International sales				
Australia	2,980	2,126	5,130	3,954
Germany	3,150	2,350	6,760	3,714
Other	781	37	972	73
	11,808	10,350	22,614	20,121
Canadian Adult Use and Wellness	1,607	1,512	2,956	3,627
Canadian Medical Cannabis				
Clinics	509	585	979	1,151
Other Canadian Medical Cannabis	2,610	2,943	5,388	5,839
	3,119	3,528	6,367	6,990
International Medical Cannabis	6,721	4,477	12,667	7,650
Pharmaceutical and B2B	361	833	624	1,854
	11,808	10,350	22,614	20,121
Products transferred at a point in time	11,478	9,647	21,763	18,492
Products and services transferred over time	330	703	851	1,629
	11,808	10,350	22,614	20,121

For the three months ended June 30, 2025, the Company had two customers (June 2024: two) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 12.3% and 12.3% of total revenue attributed to cannabis products for the period ended June 30, 2025 (June 30, 2024: two customers represented 18.8% and 11.5%).

For the six months ended June 30, 2025, the Company had two customers (June 2024: one) which individually contributed 10% or more of the Company's total revenue for the year. Individually, these customers represented 12.0% and 10.3% of total revenue attributed to cannabis products for the period ended June 30, 2025 (June 30, 2024: one customer represented 17.8%).

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 15 – EXPENSES BY NATURE

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Inventory and consumables recognized in cost of sales	5,803	3,277	9,710	6,484
Fair value adjustments in cost of sales	(93)	170	(139)	218
Write down of inventory to net realizable value (Note 5)	84	89	112	323
Employee compensation (1)	3,308	4,304	6,408	9,139
Consulting and professional fees (2)	2,859	792	3,685	1,694
ECL expense/(recovery) on receivables (Note 16.1)	15	(80)	8	(57)
Share based compensation expense (3)	502	576	939	1,471
Supplies and small equipment (4)	258	243	476	529
Depreciation and amortization	419	732	844	1,522
Rent and occupancy cost	267	323	680	655
Foreign exchange (gain) loss	67	(9)	49	10
Analytical testing	320	341	618	622
Advertising and promotion	211	224	415	483
Insurance	239	316	503	654
Software and licenses	313	246	661	507
Freight	504	446	907	829
Health Canada fee and regulatory costs (5)	224	295	452	454
Other (6)	308	638	527	882
	15,608	12,923	26,855	26,419

(1) Employee compensation includes severance cost in relation to restructuring measures undertaken by the Company during the year. For the three and six months ended June 30, 2025, the severance cost incurred in relation to the restructuring amounted to \$229 and \$229 respectively (three and six months ended June 30, 2024: \$312 and \$1,067).

(2) Consulting and professional fees primarily consist of audit and tax, information technology, quality assurance, legal services, contract sales, regulatory consulting and expenses incurred in respect of the Hope Facility Sale. This also includes \$2,170 non-recurring fees largely incurred in connection with the Company's response to a dissident information circular filed by Apollo Technology Capital Corporation, disclosing Apollo's intention to nominate six directors at the annual and special meeting of shareholders held on June 16, 2025 (the "Proxy Contest"), and matters related to the Proxy Contest.

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(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 15 – EXPENSES BY NATURE (Continued)

(3) For the six months ended June 30, 2025, out of total share-based compensation expense of \$939 (June 30, 2024: \$1,472), general administrative expense portion is \$786 (June 30, 2024: \$1,1236), marketing and selling expense portion is \$89 (June 30, 2024: \$75), cost of sales portion is \$64 (June 30, 2024: \$110) and research and development portion is \$nil (June 30, 2024: \$48).

(4) Supplies and small equipment include lab supplies, office supplies, other facility supplies, and facility maintenance costs.

(5) Health Canada fee and regulatory costs primarily consist of the Health Canada Annual Regulatory Fee levied at 2.3% of cannabis revenue, and other Health Canada fees such as export permits.

(6) Other includes investor relations, travel expenses, bank fees, and repair and maintenance expenses. It also includes non-refundable deposits received in connection with the proposed sale of a subsidiary.

NOTE 16 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company is exposed to a variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk) and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by the subsidiaries of the Company under policies approved by the Company's Board of Directors.

16.1 Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company holds cash and cash equivalents of \$10,362 (December 31, 2024: \$11,690). The cash is held with banks and financial institutions that are either Schedule 1 Canadian banks, large credit unions, or other large foreign banks.

At June 30, 2025, the exposure to credit risk for gross trade receivables and contract assets by the type of customer is as follows:

	June 30, 2025	December 31, 2024
Business to business customers	5,492	5,366
Insurance companies (1)	954	835
Distributors / Retailers (2)	611	755
	7,057	6,956

(1) Insurance companies primarily relate to the Company's domestic medical business.

(2) Distributors / Retailers are largely comprised of provincial distributors.

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(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 16 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

16.1 Credit risk (Continued)

As at June 30, 2025, the Company holds trade receivables from four customers representing 14%, 13%, 12% and 12% of total trade receivables (December 31, 2024: four customers representing 21%, 13%, 11%, and 10% of total trade receivables). The Company had no other customer that represented more than 10% of the Company's gross trade receivables.

The Company limits its exposure to credit risk from trade receivables and contract assets by negotiating full or partial advance payment from certain business-to-business customers before the shipment of the products. Also, the Company's management believes that the exposure to credit risk from distributors is very limited since most of the distributors are either government organizations or large reputable organizations. As at June 30, 2025, the allowance for expected credit losses in connection with its trade receivables and contract assets amounted to \$15 (December 31, 2024: \$78).

The aging of the Company's trade receivables at June 30, 2025 is as follows:

	June 30, 2025 Carrying amount	December 31, 2024 Carrying amount
Current (not past due)	3,218	5,958
1-30 days past due	2,674	727
31-90 days past due	1,011	19
90-270 days past due	134	128
270-365 days past due	5	60
>365 days	15	64
Gross trade receivables	7,057	6,956
Expected credit losses	(15)	(78)
Net trade receivables	7,042	6,878

The movement in the allowance for impairment in respect of trade receivables and contract assets during the period was as follows:

	2025	2024
Balance at January 1	78	208
Amounts written off	(71)	(36)
Net remeasurement of loss allowance	8	(57)
Expected credit losses as at June 30	15	115

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2025

(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 16 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

16.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period the Company held deposits at banks and financial institutions of \$10,362 (December 31, 2024: \$11,690) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

The table below presents the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities At June 30, 2025	Total Less than 6 months	6-12 months	12-36 months	36-60 months	Contractual cash flows	Carrying amount
Trade and other payables	8,131	50	-	-	8,181	8,181
Employee benefit obligations	768	-	-	-	768	768
Loans and borrowings	300	150	-	-	450	450
Lease liability	42	42	10	-	94	92
Total financial liabilities	9,241	242	10	-	9,493	9,491

16.3 Market risk

Market risk is the risk that changes in market price - e.g. foreign exchange rates, interest rates and price risk – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

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(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 16 – FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

(i) Foreign currency risk

Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. As of the end of the reporting period, the Company's foreign currency exposure is due to USD, EUR and AUD foreign currency denominated transactions.

A 5% strengthening of CAD against USD, EUR, and AUD would increase the Company's net loss by \$36, \$13, and \$28 respectively.

16.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management defines capital as the Company's shareholders' equity and debt (consisting of the Company's loans and borrowings). As at June 30, 2025, total managed capital is \$40,359 (December 31, 2024: \$43,572). The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund both existing and future value-added growth opportunities. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners or through debt financing.

NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the Interim Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

During the six months ended June 30, 2025, there were no transfers between levels. The Company does not have any level 3 financial instruments.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited - All dollar amounts disclosed are expressed in Canadian dollars (C\$'000s) except per share and exercise price amounts.)

NOTE 18 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

18.1 Key management personnel compensation

The Company has determined that key management personnel consist of directors and officers in the Company. The non-share-based compensation remuneration to directors and officers during the three and six months ended June 30, 2025 was \$311 and \$592 respectively (three and six months ended June 30, 2024: \$411 and \$821 respectively) and is included in general and administrative expenses.

During the six months ended June 30, 2025 the Company issued 1,964,636 options at an average exercise price of \$0.0801 per share (six months ended June 30, 2024: nil options at \$nil per share) and 1,271,971 RSUs (six months ended June 30, 2024: nil RSUs) to its key management personnel and recognized total share-based compensation expenses related to key management personnel of \$586 (six months ended June 30, 2024: \$868).

During the six months ended June 30, 2025, the Company's key management personnel exercised nil options for gross proceeds of \$nil (six months ended June 30, 2024: nil options for gross proceeds of \$nil) and 5,970,751 RSUs were settled through the issuance of 4,491,680 Common Shares amounting to \$336 (six months ended June 30, 2024: 12,343,348 RSUs were settled through the issuance of 7,800,968 Common Shares amounting to \$742). The unissued Common Shares are withheld for taxes.

18.2 Transactions and balances with key management personnel

Several key management personnel hold positions in other companies that result in them having control or significant influence over these companies. The Company had no transactions with these companies during the six months ended June 30, 2025 and 2024.

As at June 30, 2025, the Company has \$230 (December 31, 2024: \$995) due to key management personnel and no amount was due to entities over which they have control or significant influence (December 31, 2024: \$nil). The balance due to key management personnel comprise of accrued compensation and is included in current employee benefit obligations in the condensed interim consolidated statements of financial position.

NOTE 19 – EVENTS AFTER THE REPORTING PERIOD

No event, which is material to the understanding of this report, has occurred between the year-end date and the date of this report.